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NEWS SUMMARY

GENERAL

German terror threat to Reagan

West German terrorists said the bombing of four U.S. military bases was "just a prelude" for President Reagan's visit next week.

Police said the four co-ordinated blasts at the bases might be connected with bomb attacks on IBM offices and on another U.S. computer company in Dusseldorf. No-one was injured in the explosions.

The terrorists called the Revolutionary Cells, an offshoot of the Bader Meinhof gang, threatened, in a letter to a newsagency, to give President Reagan an "unforgettable reception," when he visits West Germany for next week's Nato summit. Page 2

Pope's theme

The Pope talked about church unity when he met Protestant leaders in Scotland. Mass in Bellahouston Park, Glasgow, was attended by about 300,000 people.

S. Koreans die

Fifty-three South Korean servicemen were killed when their aircraft crashed on take-off. In Namibia, six people were killed when their aircraft crashed in a game reserve.

Six die in battles

Six people were killed in artillery, rocket and machine-gun exchanges in West Beirut, between pro-Iraqi and pro-Iranian groups. Page 3

Aid threatened

Third World development projects by the United Nations may have to be cut by nearly 40 per cent because donor countries have not given enough money

Memorial goes

Polish authorities removed a marble memorial in Warsaw, laid by Solidarit ysupporters to commemorate nine people killed in a clash between miners and security forces, in December.

Vietnam offer

Vietnam is willing to withdraw some troops from Kampuchea in return for a pledge from Thailand that it will stop supporting Khmer Rouge guerrillas operat- in galong the border, Alain Cass reports from Hanoi. Page 3

Yorkshire floods

Flash floods, up to 18 inches deep, brought chaos to West Yorkshire. Homes and shops in Huddersfield, Dewsbury and Leeds were affected. Weather, Back Page

Hunger striker

Loyalist John James Somerville, sentenced to a minimum jail term of 35 years for his part in the Miami Showband massacre in 1976, started a hunger strike demanding special category status.

Denning apology

Lord Denning apologised for parts of his book What Next in the Law that caused controversy among minority groups. His publishers have withdrawn the book so that offending passages can be deleted.

Petrol increase

Shell is expected to raise pump prices for petrol by up to 10p a gallon within a few days. Texaco put its prices up by 7p to about 169p a gallon on Monday. Page 8

Briefly . . .

Argentine soccer star Diego Maradona, 21, is to join Barcelona for £3.3m.

A blaze in a Jakarta restaurant killed 16 cooks and waitresses.

India and Pakistan have agreed to resume talks on a non-aggression pact. Page 3

BUSINESS

Rally in gilt-edged as sugar price falls

● GILTS rallied following last week's fall in U.S. money supply, which boosted hopes that other American banks would follow Citibank's prime rate cut. By the close, medium and long-dated stock was a point ahead on balance. The FT Government Securities index rose 0.54 to 69.74. Page 35

● EQUITIES were steady, but lost early gains. The FT 30-share index closed unchanged at 587.3. Page 35

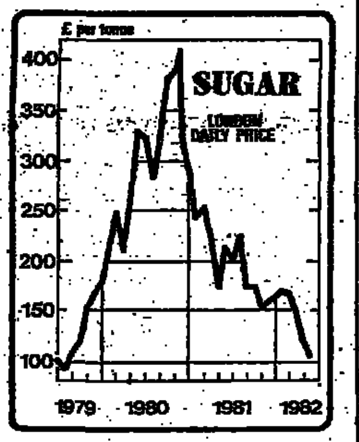
● STERLING fell 30 points to $1.7875 and eased to Y435 (Y436). But it gained ground against major currencies in London to DM 4.235 (DM 4.2075), SwFr 3.605 (SwFr 3.585) and FFr 10.99 (FFr 10.965). Its trade weighted index rose to 90.5 (90.1). Page 36

● DOLLAR rose to DM 2.3775 (DM 2.349), Y244 (Y243.25), SwFr 2.0225 (SwFr 2.001) and FFr 6.175 (FFr 6.1275). Its trade-weighted index was 115.4 (114.6). Page 36

● WALL STREET was off 3.23 at 816.31 near the close. Page 34

● GOLD fell $5¼ to $318¼ in London. In New York, the Comex June close was $317½. Page 28

● WORLD SUGAR prices fell to their lowest for 2¼ years yesterday on the London market after India had invited bids for shipment. The London daily raw sugar price fell £7 to £104 a tonne. Page 28



● COPPER PRICES fell below £800 a tonne on the London Metal Exchange yesterday for the first time since early 1981. Cash higher-grade copper lost over £32 a tonne to £770.50.

● HENRY KAUFMAN, Wall Street expert on financial trends, warns that banks and investors who normally finance the U.S. Treasury deficit face a liquidity squeeze that will starve American capital markets. Page 23

● MEXICO'S primary international reserves have fallen by $1.1bn this year to $3.8bn according to Finance Minister Jesus Silva Herzog.

● NIGERIA has awarded the last three of six contracts for its £1.4bn railway project over 300 miles to companies in the UK, Italy, France and Brazil. Back Page

● WILLIAMS & GLYN'S, the fifth largest clearing bank, plans to launch a card-based current account paying interest from the autumn. Page 8

● CO-OPERATIVE Wholesale Society, with sales of £1.9bn last year, is planning to merge with the Co-operative Retail Services, which had sales of £823m, it was announced yesterday. Page 7

● HANSON TRUST, the industrial services and food products group, reported pre-tax profits ahead 21 per cent at £22.1m for the six months to March 31. Page 24; Lex Back

● MERCANTILE HOUSE, the leading money broker, has agreed to acquire Wall Street stockbroker Oppenheimer Holdings in a £91m deal. Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated).

RISES		
Treas 13¼pc 2004-08	£103⅞	+ 1⅞
Adams & Gibbon	116	+ 10
Assoc. Brit. Foods	138	+ 4
Celestion Inds.	22	+ 3½
De La Rue	580	+ 22
Firth (G. M.)	170	+ 5
Grand Met.	218xr	+ 4
Harrisons & Crosf.	637	+ 62
Hunting Assoc.	290	+ 10
Johnson Grp. Clnrs	258	+ 9
LRC	55½	+ 3½
London & Liver.	59	+ 6
Martin The News.	345	+ 10
McCorquodale	180	+ 15
Newmark (Louis)	252	+ 12
Oceonics	230	+ 20
Reed Int.	334	+ 10
Rotaprint	14	+ 3
Saatchi & Saatchi	455	+ 20
Smiths Inds.	360	+ 7
Utd. Engineering	260	+ 15
Clyde Pet.	110	+ 5
Harrisons Malay.	165	+ 25
Bond Corp.	85	+ 5
Pengkalen	335	+ 15

FALLS		
GEC	940	− 10
Minet Hldgs.	184	− 6
Plessey	453	− 10
Sonic Sound	73	− 7
Triefus	45½	− 3½
Minorco	314	− 18
RTZ	428	− 5
Western Mining	207	− 6

250 ARGENTINES WERE KILLED AT GOOSE GREEN

News blackout on Stanley

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE DEFENCE MINISTRY in London yesterday placed an official blackout on all news of the fighting in the Port Stanley area, as the campaign by British forces to recapture the Falkland Islands capital apparently entered its final phase.

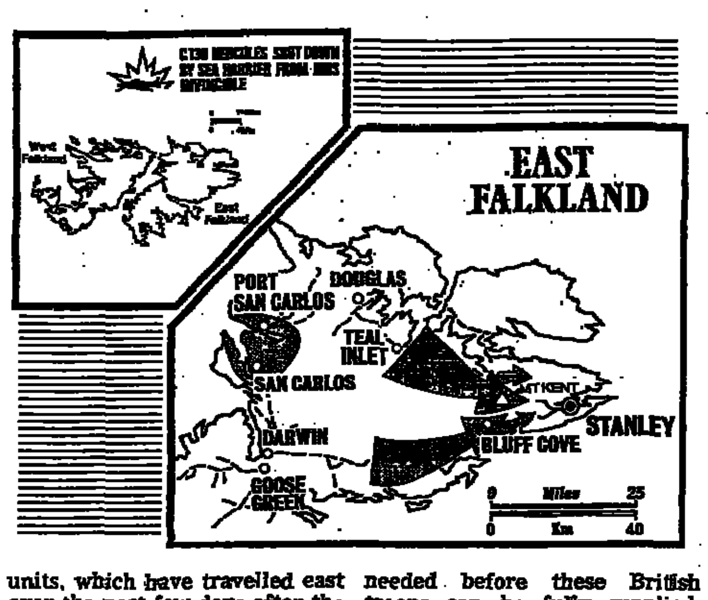
According to top-level defence officials in Whitehall, no major battle for Port Stanley is expected for the next three or four days, but defence chiefs are reported confident that the town can be speedily taken. The British troops now in the Port Stanley area are said to be softening up the Argentine garrison in and around the capital and preparing positions so that "when we fight the battle, we win it."

FALKLANDS WEATHER: Wind ENE Force 7-8 (30-40 knots); 15-18-ft seas; 12-18-ft NE swells. Cloudy with rain. Temp mid-40s F. OUTLOOK: Wind E Force 6-7 (25-35 knots); 15-ft seas; 15-18-ft NE swells. Cloudy with rain. Temp upper-40s F.

The last officially released news of the fighting in the eastern corner of East Falkland was of action on Monday night. Clashes between British and Argentine troops were reported from the Mount Kent area, 10 miles outside Port Stanley. British troops are now said to control what had been a lightly defended ridge which dominates the coastal plain before the capital.

Heavy aerial and maritime bombardment of Port Stanley airfield, and of military installations, were also reported to have taken place on Monday.

Earlier it was confirmed that the hamlets of Douglas and Teal Inlet had been captured by British troops. They are believed to have continued south towards Port Stanley to meet substantial, though unspecified, numbers of other units, which have travelled east over the past few days after the capture of Darwin and Goose Green.



It is pointed out in Whitehall that a few days more will be needed before these British troops can be fully supplied, reinforced and in position. The

Falklands Crisis, Page 4
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Government repeats tough line on withdrawal

BY MARGARET VAN HATTEM AND DAVID TONGE

AS British forces prepared for a major battle to recapture Port Stanley, the Government underlined that there could be no question of a ceasefire without a full, supervised Argentine withdrawal from the Falkland Islands.

Ministers also stressed that they were ready to order an assault on the Argentine troops holding Port Stanley. Mr Cecil Parkinson, Conservative Party chairman, said: "We would prefer them to leave, to withdraw, but if they won't we will have to go in and we'll have to repossess the British territory in the Falklands."

Mr Parkinson was speaking after yesterday morning's meeting of the inner cabinet, which considered the effect the news that 250 Argentines had been killed during the recapture of Darwin and Goose Green last week could have on support at home and abroad for the Government's increasingly firm line.

Some 700 Argentines lives have now been lost since the Falklands crisis began, compared with around 130 British deaths. These figures could rise sharply as British forces advance on the 6,000-7,000 Argentine troops dug in around Port Stanley.

However, the cabinet appears to have rejected the option of laying a long siege to Port Stanley to force the Argentines to surrender. Yesterday, the British task force commander was authorised to accept an Argentine surrender.

The Foreign Office believes Britain could come under increasing pressure abroad if the crisis drags on.

British casualties in the battle for Darwin and Goose Green totalled only 17, ministers appear to expect further opposition at home from the Labour Party now that the extent of Argentine casualties has become clear.

However, the inner cabinet, which met for nearly two hours, appears already to be looking past the military outcome towards the more intractable problems of securing the islands' long-term future.

One Argentine newspaper yesterday warned that Buenos Aires would continue to attack the islands if they fell totally into British hands. Officials in London are increasingly worried that they may find themselves holding "an

Continued on Back Page

Threat to indexation enrages Italian unions

BY RUPERT CORNWELL IN ROME

ITALY moved closer to major industrial relations disruption yesterday as Confindustria, the national employers association, unilaterally revoked the "scala mobile," its seven-year-old agreement with the unions on wage indexation.

The accord provides that basic wages are increased every three months in line with the cost of living. The agreement operates in such a way that pay differentials have been reduced considerably.

The Confindustria decision has been in the air for some time, but the timing of the announcement—24 hours after the Bank of Italy made its own formal plea for changes in the scala mobile—was a surprise to most people.

The reaction of the unions, both at leadership and grass roots level, was predictably fierce. Spontaneous strikes took place in factories up and down the country and last night the confederation of the big three unions, CGIL, CISL and UIL, called a four hour protest strike for today in all private companies affiliated to Confindustria.

The move is a serious setback for Sig Giovanni Spadolini, the Prime Minister, who has made the success of talks between the government and both sides of industry on keeping down labour costs, which have been in progress for 11 months, a cornerstone of his efforts to tackle Italy's mounting economic difficulties.

Some observers even believe the latest development could hasten the end of the fragile five party coalition. Its life expectancy may be determined by a meeting of leaders of the coalition partners within the next fortnight.

Sig Vittorio Merloni, the Confindustria president, however, insisted that the decision had no political overtones. It had been taken, he said, in response to the worsening competitive conditions of industry and the absence of any agreement on labour costs.

Unions, management and government have so far decided only that labour costs growth should be kept to 16 per cent this year but with no understanding on how. Economic decisions could not be delayed indefinitely while the politicians tried to make up their minds, he said.

The indexation agreement plus the provisions of new severance pay legislation would have covered virtually all the 16 per cent, leaving no scope in negotiations for new three-year wage contracts throughout industry.

Sig Merloni said Confindustria's decision to break the scala mobile agreement had been 'tough but unanimous." It would in any case still run until the end of January 1983, by which time, he hoped, a new mechanism would have been agreed.

If it is not, a more limited but legally binding indexation agreement of 1957 will come back into force, offering protection equivalent to about 55 or 60 per cent of the current scala mobile.

Dollar soars as franc is hit by devaluation fear

BY OUR FOREIGN AND FINANCIAL STAFF

THE U.S. DOLLAR surged ahead in the European foreign exchange markets yesterday as the French franc came under pressure from fresh rumours of a devaluation and dollar interest rates firmed.

In Paris the Bank of France was reported to have intervened persistently in support of the French currency, though dealers believed that the French Government was determined to resist any change in parity until at least after the Versailles summit of industrial nations which starts on Friday.

The market apparently discounted official denials that President François Mitterrand raised the hypothesis of a devaluation in conversations with U.S. journalists, or left open the possibility of withdrawal of the franc from the European Monetary System.

Dealers said that those who held francs with suspicion before now held them with more suspicion.

The franc fell from FFr 6.0850 to the dollar in Paris to FFr 6.17 in one hour's trading in the morning.

The franc also slipped in Paris against the D-Mark during the day, falling from FFr 2.6020 to the D-Mark to FFr 2.6140, or close to its floor within the EMS, before the Bank of France intervention brought the rate back by the close to FFr 2.6020.

The franc was adversely affected by the general movement back into dollars, sparked off by the belief in the markets that U.S. interest rates were not going to come down as expected.

The renewed weakness of the franc and the holding up of U.S. interest rates is undoubtedly embarrassing to the French President on the eve of the Versailles conference.

Speculation

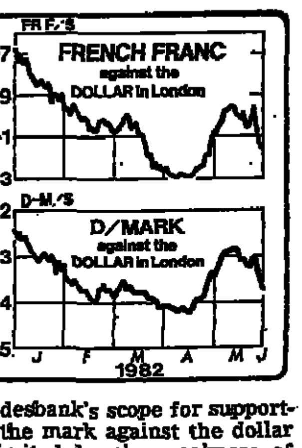
Dealers expected, however, that the more serious pressure on the franc could begin next week after the conference is over.

The Bank of France left the day-to-day money market rate unchanged at 16¼ per cent.

The West German mark was caught up in the speculation swirling round the French and Belgian francs, falling against the dollar to a five-week-low of DM 2.3750 in Frankfurt at one point, after opening at DM 2.3390.

At the midday fixing the Bundesbank, the West German Central Bank, officially sold $40m to support the D-mark, and traders detected some intervention in the open market.

The common view is that the



Bundesbank's scope for supporting the mark against the dollar is limited by the weakness of the French franc, since it is argued that if the dollar were to be pushed down against the D-Mark one side-effect would be to weaken the franc further within the EMS.

Expectations

Some traders suggested that failure to reach a compromise on the U.S. budget may have helped the dollar, since it has tended to raise expectations that longer-term U.S. interest rates will remain firm.

Others argued that interest-rate factors and news such as the modest increase in West German cost-of-living index to a year-on-year rate of 5.3 per cent in May, against 5 per cent in April, were having little or no impact on trading.

In London the pound benefited from the general move out of the Continental currencies, but slipped 30 points against the dollar, to close at $1.7875.

Its Bank of England trade-weighted index against a basket of currencies improved from 90.1 at Friday's close to 90.5.

The strength of the dollar may have been helped by a widening of the gap between dollar and European interest rates.

The six-month Eurodollar rate firmed 1/16 of a point to 14⅞ per cent, while the six-month D-Mark deposits fell 1/16 to 8⅝ per cent.

The Swiss franc rates were down 1/16 to 5 per cent. In London the sterling interest rates fell by about ⅛ of a point with the six-month Euro sterling rate down 3/16 of a point to 13 1/16 per cent.

Money Markets, Page 36

£ in New York

–	May 28	Previous
Spot	$1.7835-7865	$1.7970-7990
1 month	0.16-0.21 pm	0.16-0.20 pm
3 months	0.57-0.62 pm	052.-0.57 pm
12 months	1.95-2.05 pm	1.75-1.85 pm

Oppenheimer to quit Anglo American

BY J. D. F. JONES IN JOHANNESBURG

MR HARRY OPPENHEIMER yesterday announced that he would retire from the chairmanship and the board of the Anglo American Corporation at the end of this year. He will continue as chairman of De Beers Consolidated Mines.

The news came as a surprise, although Mr Oppenheimer will be 74 in October and there has been speculation about his succession.

As widely expected, the new chairman will be Mr Gavin Relly, a deputy chairman and chairman of the all-important Executive Committee. Mr Oppenheimer's son, Mr Nicholas Oppenheimer, and Mr Julian Ogilvie Thompson, will become joint deputy chairmen when the other deputy-chairman, Sir Keith Acutt, retires at the end of the year.

Mr Oppenheimer said in a statement that it was "time to make a change" as he had been chairman for 25 years. But he added: "It would not be right in present circumstances to make changes in the direction of the diamond industry and I shall therefore continue for the time being to serve as chairman of De Beers Consolidated Mines and its associated companies."

Mr Harry Oppenheimer stays in De Beers chair

Mr Oppenheimer's decision to remain in the chair at De Beers is a comment on the grave state of the diamond market. His departure from the Anglo main board signals the beginning of the end of a career in which he has built up and diversified the legacy of his father, Sir Ernest Oppenheimer, into a $15bn (£8.3bn) multinational.

Anglo is still firmly based in South Africa, where Mr Oppenheimer has throughout his career spoken out consistently against the apartheid policies of the Government. At a practical level, the Anglo group has done much to pioneer more enlightened labour policies.

Mr Relly, as chairman of South Africa's biggest company, will now take over the role of principal spokesman for South Africa's non-Afrikaner business community, though it is sometimes suggested here that his style will be more cautious than that of Mr Oppenheimer.

It remains to be seen whether Mr Relly will take the opportunity to create a more formalised structure of group management, as Anglo American copes with a recession that has brought serious problems to all its mining sectors.

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CZECHOSLOVAKIA HARD HIT BY HIGHER SOVIET OIL PRICES

Husak in Moscow with plea for aid

BY ANTHONY ROBINSON IN MOSCOW

Mr usak (left) close political uoddns

THE Czechoslovak President and Communist Party leader, Mr Gustav Husak, arrived here yesterday for talks with Soviet leaders which are likely to include a request for additional Soviet economic assistance. The visit, although planned well in advance, follows a week of important developments on the Soviet political scene and the Czechoslovak delegation will almost certainly try to find out whether the top leadership changes will lead to any change in Soviet thinking towards Eastern Europe.

Mr Husak has received close political support from President Leonid Brezhnev, symbolised by the Soviet leader's presence at the Czechoslovak Communist party congress in Prague last April. But the economic assistance given to Czechoslovakia after suppression of the "Prague spring" by Warsaw Pact forces in August, 1968, is no longer forthcoming.

Since 1968, the Czechoslovak economy has been tied increasingly closer to the Soviet Union. But the development of heavy engineering based on imported Soviet raw materials has led to a high energy and raw material consuming economy ill-suited to Czechoslovakia's traditional light engineering traditions. High dependence on Soviet supplies have made it particularly vulnerable to the current Soviet policy of making its Comecon partners pay more for energy and raw materials and physically reducing oil supplies by 10 per cent.

Despite the ritual expressions of mutual esteem, Soviet leaders are believed to be increasingly critical of the failure of Mr Husak to achieve the kind of successful "normalisation" carried out by Mr Janos Kadar in Hungary after the Budapest rising of 1956.

With Poland in the forefront of their minds, the Soviet leaders must also be aware that the economic and political stagnation of the past 14 years could well lead to a renewal of discontent in Czechoslovakia.

Czechs and Slovaks used to be the richest people in Eastern Europe but last week they suffered the humiliation of being told by Hungary that cross-border shopping trips to buy food and Hungarian goods were no longer permissible.

Comecon wrestles with mounting problems

BY LESLIE COLITT IN BERLIN

THE PRIME MINISTERS of the Comecon countries meet in Hungary next Tuesday faced with falling growth rates, the difficulty of co-ordinating their economic plans and the continued slide in Poland's industrial production.

The conference of the 10-member economic body which includes Cuba, Vietnam and Mongolia outside Europe, promises to be as difficult for the participants as last July's summit meeting in Bulgaria. East European economics officials said that Comecon's problems are so intractable that little is expected to result from the Budapest meeting.

A sweeping reform of the economic and financial relations between the Comecon countries is regarded as urgent. However, there is little hope that anything can be achieved because of resistance from the Soviet Union which dominates the group. One East European noted: "It is as if the U.S. were a member of the EEC."

Mr Marian Krzak, Poland's Finance Minister, has urged that Comecon barter trade, "with money playing a secondary, registering role," must give way to a financial system enabling independent factories to buy the currencies of Socialist countries and to use them. Such reform has been urged vainly by East European economists since the 1960s.

A key reason is that the Soviet economy remains highly centralised, along with that of East Germany, Czechoslovakia and Romania, while the Hungarian economy is well along the road to internal economic reform, having shifted most of its trade to the West. Poland's factories have gained greater autonomy on paper but they are mainly concerned with hand-to-mouth survival.

Hungary and Poland are expected to put forward proposals for a new system of settling inter-Comecon payments especially for the joint capital ventures such as the Urengoi gas pipeline from Western Siberia to Europe. The East Europeans want a settlement system based on international prices instead of inter-Comecon prices which, they say, favour Soviet energy exports and are detrimental to East European exports of machinery and services.

The meeting of Comecon Prime Ministers, not unlike the conference of Western leaders in Versailles, will have little influence on the flagging growth rate of Communist countries. With virtual zero economic growth expected in real terms this year by most East European countries and a steep decline in the Polish economy, the Premiers and their delegations are expected to offer the standard prescriptions: increased productivity, more efficient use of energy and raw materials and the use of the latest scientific and technical advances in production.

Consumer prices rise sharply in EEC

CONSUMER prices in the European Community showed their highest monthly rise in a year in April, the EEC statistics office said yesterday, Reuter reports from Luxembourg.

The consumer price index for the 10 EEC countries rose 1.2 per cent between March and April, compared with 0.8 per cent the previous month and 1.6 per cent in April 1981.

The annual inflation rate, however, continued to slow down on a year-to-year basis, falling from 11.6 per cent in March to 11.2 per cent in April, the lowest increase since August 1979.

The inflation rate was still ahead of the EEC's main industrial competitors, however, it said. Annual inflation in the U.S. in April was 6.1 per cent, while in Japan it was 3 per cent.

Inside the EEC, the monthly inflation rate was highest in Greece and Britain and lowest in Luxembourg, the Netherlands, West Germany and Denmark, the office said.

African 'Helsinki' call

Sig Emilio Colombo, the Italian Foreign Minister, yesterday urged consideration of a conference on security and co-operation in Africa, along the lines of the 1975 Helsinki conference on European Security, Reuter reports from Rome. Such a conference would establish clear provisions and precise guidelines on international policy towards Africa for the benefit of its people and the cause of world peace, he said.

Athens bans cars

Private cars and lorries were banned in the centre of Athens as from yesterday in an attempt to free the Greek capital from a poisonous cloud caused by pollution, Reuter reports from Athens. The ban will continue throughout this month, the Government said. Outside the centre of the capital the cars will circulate on an odd-even number basis in June.

President Karl Carstens

Carstens for U.S.

President Karl Carstens of West Germany will pay a visit to the U.S. in October next year to mark the 300th anniversary of German settlers there, AP reports from Bonn.

Outlook improves

The expectations of West Germany's manufacturing industry generally improved in April although concern remains over the current situation, the IFO economic institute said, Reuter reports from Munich.

Warsaw memorial

Polish authorities have removed a marble stone laid by Solidarity union supporters in a central Warsaw square to commemorate nine people killed in a clash between miners and security forces last December, Reuter reports. A plain flagstone was replaced during the night on the spot where the unauthorised grey marble memorial was laid yesterday.

Van Agt pledges to press ahead with controversial budget

BY WALTER ELLIS IN AMSTERDAM

THE DUTCH Prime Minister, Mr Dries van Agt, confirmed yesterday that he intends to press forward with the controversial interim budget, centred on large-scale spending cuts, which brought down his previous administration.

This budget relates formally to 1982, but the Premier outraged the Labour Party, his former coalition partners, not only by the extent of the cuts he had in mind but by his intention to extend them into next year. A total of some Fl 12bn (£2.6bn) is involved and the intention is to reduce the burden of the welfare state and hold down the level of public borrowing to about 8 per cent of gross national income.

If things go as planned, the interim budget should be presented to Parliament before the summer recess and would be seen as a precursor of even more restraint following a victory by Mr van Agt in the general election next September.

Polling, meanwhile, takes place in municipal elections today and the main political parties are anxious to maximise their strength.

The provincial elections in March showed a distinct slump in support for the Labour Party. If today's poll confirms this trend, Mr van Agt's Christian Democrats and the opposition Liberal Party can look forward to forming the country's next administration.

If Labour shows signs of a significant recovery, however, protracted negotiations after September can be expected, with a fresh coalition perhaps not emerging before Christmas.

Mr van Agt, who now heads a minority interim Government with the centre-left Democrats 66, said yesterday that the new cabinet would probably take a decision on a date for the election within the next few days. If, as expected, September 8 is chosen, it will mean that polling will take place before the Prime Minister has been able to present his proposed 1983 budget. Labour Democrats 66 and the Liberals are all determined that the election should come first, and that Mr van Agt seems certain to give way.

A four-day strike in Rotterdam by container handlers at the European Container Terminus company appears to have been ended. Union leaders agreed yesterday to secure a lifting of the blockade on the company in return for a wage rise of Fl 28.50 (£6.15) a week and an investigation into working hours and conditions.

Workers are expected to ratify the agreement at a mass meeting today. Some 1,200 container handlers have been on strike, holding up Dutch imports and causing added congestion in the port of Rotterdam.

But a two-week-old strike of grain handlers employed by Graan Elevator Maatschappij and several smaller Rotterdam companies is to continue, with no end in sight, following a rejection by workers of the management's latest offer.

Ekofisk oil and gas field back in action after fire

BY FAY GJESTER IN OSLO

OIL AND GAS production from Norway's Ekofisk field in the North Sea was restarted "cautiously" on Monday, initially at a rate of only 25,000 barrels per day. Output was halted last Thursday after fires in the field's two flare towers.

The operator oil company, Phillips Petroleum, said yesterday it was increasing output slowly to the normal 350,000 b/d level, in the process, it hoped to discover how oil became mixed with the gas in the flaring system.

It was the leakage of oil into the system which caused the fires—first in the southern tower, then on the northern. The two unmanned towers lie about one kilometre apart, at either end of the field, linked by bridges with the other Ekofisk installations—production and hotel platforms, administration centre, and storage tank.

At one stage, burning oil spilled from the southern tower on to the sea, and the slick burned for nearly an hour before it was extinguished by three vessels with fire fighting equipment. No one was injured, and damage to the tower was limited. The southern tower is now being repaired and only the northern tower is in use.

Meanwhile, the offshore industry faces the threat of strikes that could stop both production and exploration on the Norwegian shelf. Leaders of ROF, the largest rig workers union, have rejected the employers' pay offer and are seeking a Labour Court ruling on their right to call a strike while their 2,000 members are being balloted about the offer. A decision is expected next week.

Portuguese MPs begin debate on constitution

BY DIANA SMITH IN LISBON

THE PROPOSED revisions to Portugal's leftward-leaning constitution come before the full Parliament today after months of delay. There is some scepticism, however, about the chances of the 250-deputy assembly completing the debate and voting on the changes before the summer break, due in late July.

Some of the key points for which non-Socialists have been pressing—a marked liberalisation of the economic content of the constitution, reduction in the powers of the President to dismiss and appoint governments, and a diminished role for the armed forces—have not been resolved to their satisfaction during the committee work on the constitutional review.

The Communists and Socialists do not want to see phrases like "the irreversibility of nationalisations" and "the road to socialism" disappearing from the constitution. However, unless these terms are dropped it will be very difficult for the centre-right coalition Government to sort out the onerous public sector which was nationalised in 1975. The state is having to support several heavily-losing concerns.

Some Social Democrat and Christian Democrat leaders hope that in the parliamentary debates that begin today, it will be possible to fight for elimination of these awkward clauses. If the debates keep up a reasonable pace, the constitution could be revised by October or November, paving the way for complementary legislation to alter labour laws and giving the private sector access to areas like banking and insurance.

U.S. plans 'thousands of nuclear warheads'

By David Fishlock, Science Editor

NUCLEAR warheads planned by the Pentagon for its new nuclear weapon programmes will certainly number several thousand and could number 10,000 or more, according to the latest yearbook surveying world armaments and disarmaments from the Stockholm International Peace Research Institute.

The main weapon programmes are for the MX land-based inter-continental ballistic missiles, the Trident I and II submarine missiles, several thousand cruise missiles and tactical nuclear weapons ("neutron bombs"). For these programmes, the U.S. will require substantial new supplies of plutonium, Sipri concludes.

The stripping of obsolescent weapons—the main source of plutonium for the Pentagon since its production reactors were shut down in the 1960s—will not be sufficient. This is because the new weapons will use only plutonium for greater efficiency, where older weapons used highly enriched uranium as well. Also, such weapons as MX and Trident have a greater number of warheads.

Laser methods for purifying plutonium from nuclear reactors, to make it suitable for nuclear weapons, are "unlikely to be simple or cheap enough for most non-nuclear weapon countries to develop on their own," says the report. Laser and plasma methods of plutonium enrichment are likely to remain technologically sophisticated and expensive.

Any country trying to develop such techniques would be faced with high costs and long lead times. It would be much simpler to use the same techniques to make highly enriched uranium for nuclear weapons. This is because, in the gaseous form the techniques require, the high toxicity and radio-activity of plutonium is far more difficult to handle.

One reason suggested why the Pentagon is funding research on plutonium enrichment is to make nuclear weapons less radio-active. U.S. servicemen—such as sailors on nuclear submarines, who sleep in the rooms where nuclear warheads are stored—would then be exposed to less radiation.

W. German terrorists bomb bases

BONN—West German terrorists bombed four U.S. military bases as part of what they termed an "unforgettable reception" for President Ronald Reagan, who begins a visit here next week.

No one was injured in the blasts but damage from the apparently co-ordinated attacks in Frankfurt, Hanau, Gelnhausen and Bamberg was estimated at more than £70,000.

The Revolutionary Cells, an offshoot of the Red Army Faction founded by Andreas Baader and Ulrike Meinhof, claimed responsibility in a letter that warned the bombings were just "a prelude" to the reception planned for Mr Reagan when he visits Bonn and West Berlin on June 9-11.

The Revolutionary Cells, which the West German Interior Ministry recently said was the country's most dangerous left-wing terror group, has claimed responsibility for at least two or more than a dozen attacks on the U.S. military in West Germany in the past year.

Security officials are especially worried about Mr Reagan's visit to West Berlin on June 11. Rebellious youths in the city have staged riots in protests against state visits in recent years.

AP

Reagan trip to Europe, Page 5

Rothmans deal challenge rejected

By Larry Klinger in Brussels

PHILIP MORRIS, the U.S. tobacco company which last year acquired a 22 per cent stake in London-based Rothmans International from the South African Rembrandt group, yesterday rejected any suggestion that the deal might break EEC competition rules.

The company said it was confident when the deal was made that it was consistent with EEC law and it would now pursue "all available procedures to obtain a full and objective examination of the facts."

Both Philip Morris, the world's second largest tobacco company and maker of the best-selling Marlboro brand, and Rembrandt, the holding company for Dr Anton Rupert's business interests, were asked last week by the European Commission to demonstrate that EEC anti-trust law had not been infringed.

In a letter to the companies, Mr Frans Andriessen, the Commissioner responsible for EEC competition policy, set out the Commission's "presumed objections" to the deal, demanding a reply within eight weeks.

A Philip Morris spokesman said yesterday that the company was confident that, when the facts were examined and all the arguments had been heard, the Commission would find that the deal neither distorted competition in Europe nor was an abuse of a dominant market position. JDAVY—42

In a prepared statement, the company said: "The EEC cigarette market is characterised by unlimited consumer choice from among the products of at least 40 different companies, including large state monopolies in France and Italy and such international companies as American Brands, British American Tobacco, Imperial Group, Reemtsma and R. J. Reynolds.

"In this highly competitive environment it is difficult to envisage how this investment by Philip Morris in Rothmans Tobacco Holdings could lead to distortion of competition or abuse of dominant position to the detriment of consumers in any one EEC country, much less in the Common Market as a whole."

Romanian reshuffles fail to halt foreign debt negotiation

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

THE NINE international banks leading negotiations to reschedule nearly $3bn (£1bn) of Romania's 1981-82 foreign debt have just received from Bucharest a fresh package of vital basic information on the country's economy, bankers in London said yesterday.

The latest bizarre round of ministerial reshuffles and dismissals by President Nicolai Ceausescu last month has thus, apparently, not interrupted the foreign debt negotiation, though it has raised doubts about the longer term political stability of the Ceausescu regime.

The bankers said the new information would be vetted for the kind of "glaring errors and omissions" which had the traditionally secretive Romanians difficult. If it proved sound, it would be sent on to the rest of Romania's 300 creditor institutions in the West.

The sweeping dismissal on May 21 by President Ceausescu of Mr Ilie Verdet, his Prime Minister, Mr Cornel Burtica, and five other senior aides had raised fears among Western bankers and companies that debt negotiations might be further delayed or interrupted. The reshuffle was seen as largely a search by Mr Ceausescu for scapegoats on whom to blame his country's severe financial and economic problems.

The removal of Mr Burtica who, however, like Mr Verdet retains politburo status, followed the dismissal, a few days earlier, of Mr Alexandru Margaritescu, the Deputy Trade Minister, who had led a mission to Britain in early April to reassure UK companies that Romania would pay its arrears to them.

The departure of these two men led some UK companies to question the validity of the payment assurances.

But, if part of Mr Ceausescu's reshuffle is genuinely designed to improve the sorry state of Romanian relations with the West, other recent moves by the Romanian President seem to have more complicated motives.

Mrs Aneta Spornic was recently switched from Education Minister to the State Planning Commission, and two of her deputies were dismissed, because of their links with a transcendental meditation cult.

Mr Ceausescu's motive is cracking down on the mediators was perhaps revealed in a recent official magazine article which accused the cult, with its links with Romanian emigres in the West, of trying to undermine the ruling Romanian Communist Party and to take Romania out of the Warsaw Pact.

Polish coal output sharply up

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH OFFICIALS have reported a large increase in this year's coal output. For the first five months of this year, Polish miners extracted 79.2m tonnes of coal, a rise of 16.3 per cent over the same period last year.

The Ministry of Mining said that output from the mines, which were taken over by the military authorities with the onset of martial law last December 13, reached 16m tonnes for May this year, an increase of 24 per cent on production in May last year.

The figures have prompted the authorities to discard caution, and Mr Zbigniew Madej, the Chief of the Planning Commission, has predicted that output this year would top 183m tonnes compared with 163m last year.

Earlier this year officials, uncertain whether the necessary spare parts and machinery would be forthcoming, spoke of no more than 175m tonnes.

Evidently the authorities have come to the conclusion that the high rates paid to miners for Saturday working—ever a source of conflict with Solidarity, the free trade union last year—will suffice to maintain production. Strikes and absenteeism are now offences punishable by heavy penalties.

The mining industry has also said that 10.7m tonnes of output so far this year had been set aside for export. Some 9.7m tonnes appear to have been exported, compared with 6m tonnes in the same period of 1981.

It seems that some 5.2m tonnes had gone to hard currency markets. A decision on how much coal will be available for export this year will be taken in late June, but Zycie Warszawy, the Warsaw daily newspaper, has suggested the figure could be in the region of 28m tonnes with 14m to 15m tonnes going to the West. Last year total exports were 15m tonnes while the figure in 1980 was 31m tonnes.

Strike closes banks in Greece again

By Victor Walker in Athens

MOST GREEK banks stayed closed again yesterday after the Federation of Bank Employee Associations called a new 48-hour strike in support of salary demands. The strike went ahead although three bank unions called on their members to return to work.

They claimed that the basic demands of the bank employees had been granted and that as a result the strike had acquired political objectives.

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Uncertain future for Sweden's special steel manufacturers

Despite painful and expensive construction, Sweden's high-quality special steel makers are still deeply affected by the world recession and the depressed market. Mark Webster, recently in Stockholm, examines the prospects for an industry which has so far survived by increasing its productivity, fierce competition and a high level of exports.

EVEN SWEDEN'S much-vaunted, high-quality, special steel makers have been hit hard by the deepening world market. After a period of painful and costly contraction, they are still deeply affected by the world recession.

Their answer has been to increase quality and productivity but demand has remained poor. For the future, they are looking at further modernisation and new technological developments to save them. Some experts think that may not be enough.

Sweden has suffered the same precipitous decline in demand for steel as other industrialised countries, but its problems have been aggravated by its small domestic market. In order to stay large enough to survive in a steel world full of giants, it has had to push hard on the export front.

Its achievements have been impressive. Last year, nearly 60 per cent of its total 3.7m tonnes production went for export, netting the country some SKr 8bn (£765m) in earnings. At the same time, although it imported 1.8m tonnes of steel, it was low grade and worth only SKr 4.3bn.

The traditionally handsome surplus on its steel trade is thanks to the unusual profile of the Swedish steel industry. The private steel producers have concentrated on the high quality, high valued-added steels while the bulk of domestic ordinary steel production has been left to the majority state-owned Svenskt Stal AB (SSAB).

Special steels—which are made up of some stainless steels, tool and high speed steels—account for more than one third of the volume of Swedish production. That compares with say, Britain, where it is less than 1 per cent of total steel output.

The Swedes are proud of their export record which they say they have managed to support in the declining market by substantial investment in new processes while radically cutting back on obsolete capacity.

The Ironmasters' Association (Jernkontoret) in Stockholm, which represents all Swedish steel makers, said there had been considerable cuts in nominal steel capacity from 7.5m tonnes in 1975 to 5.7m tonnes last year. Further reduction is likely.

The modernisation has led to the closure of all the old open-hearth furnaces. In addition, continuous casting—which produces semi-finished products from hot metal without an intermediate cooling process—now accounts for more than 70 per cent of steel output.

But the Swedish steel industry cannot survive by modernisation and contraction alone. While some are scraping along on meagre profits, the bulk are in severe financial difficulties. Most of the private producers agree that someone should close. They also agree it should be someone else.

Since 1977, mergers in the private sector have been in the air and there was talk of close co-operation between three of the biggest producers—SKF Steel, Uddeholm and Fagersta—which came to nothing. Then in 1979, Granges Nyby merged with the stainless steel interests of Uddeholm to form Nyby Uddeholm, and Sandvik and Uddeholm together formed Uddeholm Strip Steel.

Although more talks are taking place between Fagersta and Uddeholm with a view to closer co-operation in certain products, the pattern has been one of fierce competition between the Swedish private steel makers.

As profitability has plunged they have all shed staff, cutting employment in the private steel sector by nearly one third to 25,500 over the past five years. It has paid off in increased productivity.

One of the biggest independents, SKF Steel—part of the bearing giant—has pushed productivity in its two remaining plants higher than the Japanese, according to Mr Karl David Sundberg, its executive director.

The company sent 70 of its employees off to Japan for a study course to see how the Japanese did it. The result, according to Mr Sundberg, was "dramatic." "These guys came back with very good motivation because they came back with the feeling that if they can do it so can we. The workers look on it as a contest to see who can produce more."

Even so, it took the improved pricing structure introduced by the EEC to turn last year's losses into a small profit of SKr 26m for the first three months of this year. The prospects for the year as a whole indicate the company will only just be in the black.

The poor profitability could mean that SKF may soon have to put an end to its 1979 gamble when it decided to expand its activities in high speed and tool steel, much to the fury of its Swedish competitors.

The logic of the move for SKF, Mr Sundberg said, was that the group was already the biggest consumer of high-speed tools in Europe and it seemed reasonable to supply its own requirements. Volume has been too low, however, and losses have been heavy.

The chance of SKF shutting its high-speed and tool steel operations offers a glimmer of hope to the hard-pressed Uddeholm group which chalked up losses of SKr 329m last year, as sales slumped from SKr 3.57bn to SKr 3.25bn because of weak demand for special steels in all the company's markets.

Uddeholm has tried everything, from a new management team in 1981 to decentralisation of all its operations so there are now 25 divisions instead of one, but it is still hoping the future is bound to the original eight. But its management agreements it has a long haul back to profitability.

Along with all other Swedish steelmakers, it fears the outcome of the current anti-dumping suits filed in the U.S. against some European manufacturers. If the U.S. becomes more protectionist, it could threaten the SKr 1bn-worth of Swedish steel exports sold last year.

As if external troubles were not enough, the country has been engaged in a row about scrap. Both the private and the public sector have been increasing their consumption of scrap because it is the cheapest way to make steel. The result has been growing competition for domestic and imported scrap.

A deal has been reached between all parties for the time being. But the private steelmakers accept that their long-term future can only be safeguarded by making steel economically from iron ore and not scrap. Three processes have been developed but none has yet achieved widespread commercial acceptance. Until at least one does, the future is bound to remain uncertain.

Nigeria's output of oil reaches Opec ceiling

BY MICHAEL HOLMAN IN LAGOS

NIGERIA'S average daily oil production for May reached 1.3m barrels a day, the ceiling established by Opec in Vienna last February, industry officials said yesterday.

On some days last month, lifting reached 1.5m b/d, the officials added. They forecast a review of Opec production ceilings should demand for Nigeria's Bonny Light oil be sustained amidst a general recovery in the oil market.

The figures are seen by officials as vindicating their stand earlier this year when Nigeria refused to cut its price despite intense market pressure.

At one point in March, output fell to 688,000 b/d, a little over a third of the 1.8m b/d achieved in December and January. The fall, a consequence of Nigeria's determination to maintain the price of Bonny Light at $35.50 a barrel, $4.50 above the then price of comparable North Sea oil, seriously exacerbated the country's growing balance of payments difficulties.

In the first of a series of emergency measures, on March 23 the country's central bank suspended the opening of letters of credit and foreign exchange applications. This was followed by a wide-ranging austerity package including import curbs, introduced by President Shehu Shagari in April.

Announcing the measures, the President disclosed that the fall in oil production would reduce estimated Government revenue this year from Naira 11.6bn (£9.7bn) to Naira 8.9bn.

Nigerian officials have been surprised at the rate of recovery in production, but remain cautious about predicting output in the coming months. Among the many variables in the market, they say, is the final outcome of the Iran-Iraq war.

Although the May recovery is welcome news, officials also point out that severe import curbs remain necessary. Even if Nigeria continues to produce at an average of 1.3m b/d this year, there will still be a substantial monthly trade deficit, unless imports can be cut below last year's monthly average of N1.2bn ($1.8bn).

● President Shagari will meet the former Biafran leader, Mr Chukwuemeka Ojukwu, when the latter returns to Nigeria after 12 years in exile. Mr Ojukwu, who has not given a date for his return since he was pardoned last month by the President, has been in exile in the Ivory Coast.

Israel bank chief cautions Cabinet on public spending

BY DAVID LENNON IN TEL AVIV

THE GOVERNOR of the Bank of Israel, Dr Moshe Mandelbaum, has cautioned the Government that it must cut public spending if it hopes to preserve the economic achievements of 1981, the most important of which was the lowering of the rate of inflation.

Presenting the bank's annual report, the central bank chief advised the Government to reduce subsidies on basic commodities and cut spending on some social services. He also spoke of the need to hold down wages.

Israel's visible trade deficit rose by $532m (£295m) to $4.36bn. However, the bank's annual report noted that the deficit in non-military trade remained at $2bn, virtually the same as in 1980, due to a drop in import prices.

Private consumption rose 10.7 per cent as a result of a 14 per cent growth in disposable income. But while consumption rose substantially, investment in the economy only increased by 2 per cent.

One of the interesting non-economic statistics contained in the bank's report reveals that emigration far outstrips immigration last year. The report states that a record 26,000 people emigrated from Israel in 1981.

India-Pakistan talks

BY K. K. SHARMA IN NEW DELHI

INDIA AND PAKISTAN have decided to resume their stalled dialogue on normalisation of relations following talks in Islamabad yesterday, after Mrs Indira Ganhi, the Indian Prime Minister, sent a letter through a special envoy to President Zia Ul-Haq.

Formal talks on Pakistan's proposal for a "no war" pact are expected to be resumed by Foreign Secretaries of the two countries.

The Foreign Secretaries should have met last March, but the talks were cancelled by India when Pakistan's delegate to a human rights conference in Geneva raised the Kashmir issue, which, according to India, the two countries had decided to deal with bilaterally and not at international forums.

The "no war" proposal is being taken "seriously" by both countries after their Foreign Ministers met in New Delhi last January.

India has responded with a proposal for a friendship treaty and for setting up a joint commission for promotion of economic relations.

Deng said to want talks with Reagan

CHINA'S leader, Deng Xiaoping, said yesterday that he wants to meet President Ronald Reagan to discuss U.S. arms sales to Taiwan and other issues, Senator Howard Baker, U.S. Senate majority leader, said, AP-DJ reports from Peking.

"It's clear he is concerned for the future of the relationship," Senator Baker said after meeting Deng.

They had discussed the Taiwan Relations Act which obligates the U.S. to aid in Taiwan's self-defence, the Senator added. China says the Act must be amended or abolished.

In Tokyo yesterday, Mr Zenko Suzuki, the Japanese Prime Minister, told the visiting Chinese Premier, Zhao Ziyang, that Japan was deeply concerned about difficulties in relations between Peking and Washington, a Government official said.

● AN American woman has been detained in Peking in connection with the alleged theft of state secrets, Tony Walker reports.

Miss Lisa Wichser, an economics graduate student from the University of Denver, was taken into custody by public security officials early on Friday. She has not been charged. Miss Wichser was working as an English language teacher and staying at the Friendship guest house in Peking.

Gulf war denial

Reports that Gulf Co-operation Council members had offered Iran $25bn (£14bn) to stop the war with Iraq were categorically denied in Bahrain yesterday by Sheikh Mohammed bin Mubarak al-Khalifa, Foreign Affairs Minister, Mary Frings writes from Bahrain.

The time to offer help in repairing the damage caused by the war would come only after the two sides had made peace, he added.

Australian pact

The Australian Government agreed yesterday to a plan for closer economic relations with New Zealand and the eventual creation of a common market of 18m people, Reuter reports from Canberra. The Deputy Prime Minister, Mr Doug Anthony, said details of the agreement would probably be released on Friday.

Beirut fighting

Pro-Iranian militia battled Pro-Iraqis and other leftist factions in the Lebanese capital of Beirut yesterday and police said at least six people were killed and 35 wounded in the nightlong hostilities, AP reports from Beirut.

Ali to see Begin

Egypt's Foreign Minister, Mr Kamal Hassan Ali, will hold talks today with Prime Minister Menachem Begin of Israel on bi-lateral relations, Reuter reports from Cairo.

Alain Cass in Hanoi reports on the move towards a more conciliatory foreign policy

Vietnam offer on Kampuchean withdrawal

VIETNAM IS willing to "take the first steps" and withdraw some troops from Kampuchea in return for a pledge from Thailand that it will stop supporting Khmer Rouge guerrillas *operating along the Thai border.*

This subtle, but important concession was made by Mr Nguyen Co Thach, Vietnam's Foreign Minister—who is to visit Singapore and the Phillipines in July—in a bid to break the deadlock over the crisis in Kampuchea. Previously Vietnam has insisted that Thailand activiely stops supplies reaching the Khmer guerrillas, who have been fighting against 200,000 Vietnamese troops in Kampuchea since they invaded in 1979.

Although only a minor concession, Mr Thach's remarks, made in the following interview with the Financial Times, indicate some new flexibility in Vietnam's position. Mr Thach said Vietnamese troops had had a "wonderful" offensive this last dry season against the *Khymer Rouge guerrillas.*

Mr Thach's visit to Singapore in July will be his first since the invasion in 1979 and it may also indicate that Vietnam is now looking for a way out of the present impasse. It followed his recent visit to Europe, where he sought aid to rebuild Vietnam's shattered economy.

Although one or two countries—notably France—pledged modest amounts of new aid, it was made clear to Mr Thach that further assistance woud depend on progress in Kampuchea.

Vietnam has also invited a team from the International Monetary Fund to Hanoi later this month to discuss a request for help on its balance of payments. Vietnam has defaulted on virtually all of the interest due this year and last year on *its $3.5bn (£1.94bn) in foreign* debt, although it recently made a $25m payment to the IMF.

The talks in Singapore will follow a meeting of foreign ministers from the Association of South-East Asian Nations (ASEAN) on June 14 to discuss principally the failure to forge an anti-Vietnamese coalition of all the Khmer groups exiled after the 1979 invasion.

Excerpts from the interview:

*If the Khmer Rouge are no longer a threat, why do you still need 200,000 troops in Kam-*countries.

Because there are Chinese expansionists behind the Khmer Rouge.

If you are since about peace, why not withdraw some troops unilaterally as a gesture?

If Thailand agrees to stop supporting Pol Pot and other reactionary Khmer forces preventing the rebirth of Kampuchea, then Vietnam would probably take the first step and withdraw some of its forces.

What are you going to do about the hundreds of thousands of Khmer refugees in Thailand?

Kampuchea has said many times that it *is* willing to *talk* to the parties concerned on how to deal with its problems.

You have been invited to go to Singapore and Indonesia to discuss the Kampuchean crisis. Are you going?

I shall go to Burma, Singapore and the Philippines in July. I will try to visit Indonesia later in the year.

Will you discuss the outline of a possible solution, including the withdrawal of Vietnamese troops from Kampuchea?

The question of Kampuchea has two aspects: internal and international. We could discuss the international aspect. As for the question of troop withdrawals, this is linked to the cessation of the threat from China, and I think my colleague in Singapore could not guarantee that.

You mean China's support for Pol Pot?

Not only that. They have concentrations of troops on the border with Laos, on our border and they support Pol Pot. They also have hegemonistic designs on Indochina. We ask for a non-aggression treaty with China.

Would you consider a step-by-step agreement beginning with the cessation of supplies to Pol Pot?

Yes, we have proposed a partial withdrawal if the Thais stop helping Pol Pot.

When you talk of a partial withdrawal, do you mean pulling some troops out completely or just pulling some back from their present position?

A complete withdrawal of *part of our forces.*

Would you accept a de-militarised zone on both sides?

Any kind of measure that can ensure peace and stability on the border. The three Indochinese states have proposed a non-aggression treaty and respect for sovereignty, independence, and non-interference in the internal affairs of these countries. I have also said without ambiguity that we will withdraw totally and completely all our forces when the Chinese end their threat. It is a burden for us.

What guarantees could you give the countries of Asean that you would not cross their borders, invade them in turn?

All the guarantees they need. All legitimate guarantees. For instance, international supervision and control along the border.

It has been suggested that, as a first step towards agreement on who represents Kampuchea at the UN, that neither Pol Pot nor Heng Samrin, Kampuchea's present leader, hold the seat; that it be kept vacant pending resolution of the crisis. Would you accept this formula?

The question of the seat is not only in the interests of Kampuchea, it is also in the interests of the UN. So, if the UN decides to have a vacant seat and not give it to the present government in Phnom Penh, then yes.

What about elections in Kampuchea or a coalition?

If they accept we accept, but we do not accept such things in Vietnam. You must ask Mr Heng Samrin that. It is not within my competence.

You also have 40,000 troops in Laos. What are they doing there and would you agree to pull them out as part of a wider agreement?

The Asean countries have never raised this question. I have said to them it is very interesting that our troops in Kampuchea present a threat but out troops in Laos do not. It all depends on the security situation. Deng Xiaoping (the Chinese leader) has talked of a second lesson. We must be prepared.

Is the (Western) policy of bleeding Vietnam white—political and economic isolation—working?

They hope we will collapse. After 1979 they said we would collapse. It is now 1982. We are still here. I have a small problem with my foot (he had broken a toe jogging), but I can still stand. So can Vietnam.

But you have substantial foreign debt ($3.4bn) to re-schedule. And you can't pay?

Yes of course we are poor. We need foreign aid very badly and a wide range of co-operation, but not with political strings attached. Our aid from Sweden, France, Belgium and the Netherlands has no strings. But some countries criticise us for joining Comecon in 1978, and yet the Soviet Union did not ask us to leave the World Bank. They respect our independence.

Are you willing to normalise relations with the U.S. without conditions?

We would like to, with no conditions. But it is the U.S. which puts conditions, such as the withdrawal of our troops from Kampuchea. This is unacceptable.

The U.S. has accused you of using chemical weapons in Kampuchea and Laos.

It is a fabrication.

Mr Nguyen Co Thach: the last dry season offensive against Pol Pot was "wonderful."

Pressure for foreign debts freeze

BY HUGH O'SHAUGHNESSY IN BUENOS AIRES

PRESSURES ARE growing from nationalists inside and outside the Buenos Aires Government for a unilateral moratorium to be declared on Argentina's foreign debt of more than $35bn (£19bn) as Argentine forces are pushed back in the Falkland Islands.

Dr Roberto Alemann, the Minister of Economy and an upholder of financial orthodoxy, is steadfastly opposing any such moves, but his position is increasingly under attack.

Argentine's foreign debt, which according to the central bank stood at $35.6bn at the end of last year, could total around $40bn by the end of this year.

In a television interview on Monday, Dr Alemann warned that any cessation of payments to its creditors, over and above the measures already taken by Argentina to withhold payments to British banks, would have very serious consequences for Argentina.

He said these would include the blocking of the central bank's foreign accounts, the seizure of Argentine assets such as the aircraft of Aerolineas Argentina, and the ships of the state shipping line Elma, the refusal of further credits, and the need to pay cash for all imports.

Dr Alemann said that while long-term credit was difficult to obtain, the Argentine government was succeeding in getting its short-term credits rolled over by the banks.

In a savage reference to those who were arguing for a moratorium he said: "They are plunging a dagger into the back of the country because they are weakening the Argentine negotiating position."

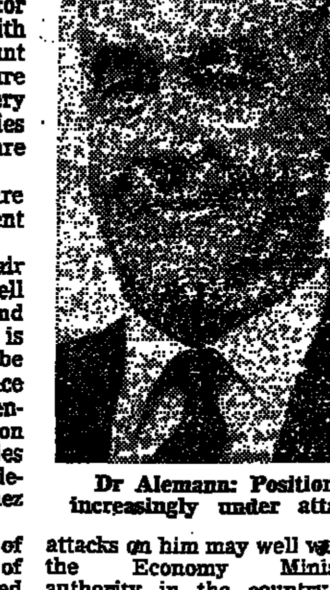
Later, Dr Mario Brodersohn, an economic adviser to the government of General Alberto Viola, which was overthrown by Gen Galtieri in December, called for a moratorium on debts owed to those countries taking economic measures against the present junta.

Comments on Monday by Brig Basilio Lami Dozo, the air force commander-in-chief, to the effect that the present economic policies would have to be changed once the war was over, are being seen as the warning of increasing military discontent with Dr Alemann's orthodox position.

Brig Lami Dozo caused much stir with a comment that for Argentina to be "a country with a capital C, it needs to count on a productive infrastructure because if it does not, it is very dependent on third countries who, at the moment they are needed, are not there.

"To a certain extent, we are living through that moment now."

Brig Lami Dozo, whose air force has acquitted itself well in various recent battles and whose personal prestige is therefore high, was seen to be reflecting military impatience with the contraction of Argentine industry which has gone on during the economic Ministries of Dr Alemann and his predecessor, Dr Jose Alfredo Martinez de Hoz.


Dr Alemann: Position increasingly under attack

Coming within a few weeks of the suspension by the junta of Dr Alemann's much-publicised stand for the swift contraction of a public sector which he sees as being over-grown, the latest attacks on him may well weaken the Economy Minister's authority in the country and his capacity to counter pressure for the declaration of a moratorium.

Conflict 'to continue' if Stanley falls

By Jimmy Burns in Buenos Aires

ARGENTINA is prepared to continue armed conflict with Britain even if Port Stanley falls to British troops.

Sr Jesus Iglesias Rouco, the Argentine journalist who earlier this year predicted the military invasion of the Falklands, said in yesterday's edition of the conservative La Princa that Buenos Aires was preparing for "total war."

"Military actions will continue even if British troops take Puerto Argentina (Port Stanley) and threaten to attack our cities and our bases on the mainland," Sr Rouco said, quoting government sources.

The commentary came as the Argentine Navy accused the British media of misrepresenting statements made by top advisers to the military junta.

Admiral Ramon Arosa is reported to have said that he didn't believe that the Falklands were worth fighting for

But naval officials yesterday insisted that Admiral Arosa had been sharply edited and quoted out of context, and that he had in fact been referring to the cost being suffered by Britain rather than Argentina.

Admiral Arosa was interviewed by the British television programme Newsnight last Thursday, before the fall of Darwin, and his statements were subsequently reported this week by a number of British newspapers.

"I don't understand this conflict. I don't understand this madness. Many ships, many aircraft, many people have been lost. Of course everyone can replace ships and aircraft. What can't be replaced are men. Unfortunately many men have died," Admiral Arosa told Newsnight.

The military in Buenos Aires yesterday denied that spirits were flagging as British troops advanced on Port Stanley, and insisted that reports of major splits within the junta were exaggerated.

It was also being affirmed officially that a British aircraft carrier, believed to be HMS Invincible, had been damaged on Sunday by an Argentine Exocet missile, and that the attacking capacity of the British task force had been "severely limited" as a result.

Of the three branches of the armed forces, however, the Air Force is thought to be showing some reluctance to continue its commitment to the war effort at the levels maintained so far. There is a feeling among some air force officers that Argentine pilots have already fought a sufficiently honourable war in terms of public opinion, and that more effort should be made towards securing a negotiated settlement.

Significantly, the head of the Air Force, Brigadier Basilio Lami Dozo, gave a restricted Press conference on Monday in which he publicly discussed for the first time the political options facing the junta once the Falklands conflict was over.

Cuba urges Third World to condemn Britain

HAVANA—Cuba, the current president of the movement of non-aligned countries, has called on all 94 members of the Third World group meeting in Havana to condemn the "colonialist aggression of Great Britain against Argentina."

In a three-page draft resolution distributed to all delegations taking part in this week's conference of Foreign Ministers of the movement's co-ordination bureau, Cuba said Great Britain had launched "the largest expeditianary naval force employed aginst country since World Wr Two to re-stblish its colonial domination ovr the Argentine Republic's Malvinas Islands."

The Cuban proposal condemns "in the most energetic terms the disproportional and illegal actions of Great Britain' in the South Atlantic.

It also demands that the U.S. "end immediately its assistance and military aid to Great Britain."

The non-aligned meeting opened on Monday at the level of senior officials. Foreign Ministers of the 36-member bureau, including Sr Nicanor Costa Mendez of Argentina, are to open talks formally today.

Sr Costa Mendez said he would attend the meeting "to tell Argentina's position in the Malvinas (Falklands) conflict and explain what Argentina wants and seeks."

The Argentine Foreign Minister returned recently from diplomatic debate in the UN in New York and the Organisation of American States in Washington, in an effort to reverse Britain's earlier diplomatic success in the conflict.

The non-aligned movement has been sympathetic to Argentine denunciations of British colonialism in the Falklands, but given little practical support.

Cuba, which restored diplomatic relations with Argentina at ambassadorial level only after the Falklands conflict erupted, has seen the dispute as a golden opportunity to improve its own relations with the right-wing régime in Buenos Aires.

Peru's President Fernando Belaunde Terry has urged President Reagan to help achieve a ceasfire between Argentina and Britain in the Falklands.

In a telex to the White House on Monday night, President Belaunde said the fighting threatened world peace and Mr Reagan's word would be decisive to avoid the final battle."

Diplomats said the Peruvian leader hoped Mr Reagan would persuade Mrs Thatcher to accept an immediate ceasefire.

Argentina was apparently ready to call off the fighting on the basis of a peace formula presented by President Belaunde 10 days ago, according to diplomats in Peru. But Britain presented its request for amendments as outright rejection—and therefore killed the plan.

In his message, President Belaunde said: "Efforts to obtain a truce, followed by a negotiated peace in the Falklands should be renewed without delay and with the firm determination to achieve it."

In an apparent reference to U.S. relations with Latin America, President Belaunde said the conflict also threatened the unity of the (Western) Hemisphere.

President Belaunde's latest peace proposals, his third since the crisis erupted two months ago, called for a ceasefire, mutual withdrawal of forces, temporary UN administration of the islands and negotiations lasting no more than a year on their future.

Agencies

Argentina gains extension on Japanese loan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ARGENTINA has obtained a six-month extension of a $100m (£55m) loan from Japanese banks that falls due this month but in return it has been forced to accept a higher rate of interest.

The loan in question is a one-year credit to the state oil company Yacimientos Petroliferos Fiscales (YPF) led by the Long Term Credit Bank of Japan.

At present, the borrower is paying a margin of only ⅝ per cent above Eurodollar rates but after the loan is extended the margin will rise to 1 per cent.

The increase in the margin and the short duration of the extension underlines the cautious attitude to Argentina adopted by non-British banks following the Falkland Islands crisis.

"We understand they were not in a position to repay and we had to co-operate to avoid any default," one Japanese banker said yesterday.

Dr Roberto Alemann, Argentina's Economy Minister, made it clear in meetings with foreign bankers recently that Argentina could continue to service its debts so long as short-term credit lines such as this loan to YPF were maintained.

This is believed, however, to be one of the first occasions where a syndicate of several banks has agreed to roll over a short-term Argentine credit.

Japanese bankers said they were aware that the risk of doing business with Argentina has increased since the seizure of the Falkland Islands on April 2, but they said that they feel the crisis should be short-lived. The banks do not want to sever long-standing business relations, they added.

Meanwhile, Argentina's trade surplus and foreign exchange reserves amke it able to continue interest payments on its debt. These have been flowing fairly promptly, though occasional administrative delays have been reported, the bankers said.

Kirkpatrick explains dissent

BY ANATOLE KALETSKY IN WASHINGTON

THE WHITE House has been embarrassed by accounts published over the weekend of a telephone conversation between Mrs Jeane Kirkpatrick, U.S. Ambassador to the United Nations, and Mr Alexander Haig, U.S. Secretary of State.

During the conversation, Mrs Kirkpatrick was reported to have accused Mr Haig of allowing the State Department to be "taken over by British interests" and saying that Mr Haig was "incapable of understanding Latin American sensibilities."

Mrs Kirkpatrick met President Ronald Reagan for 40 minutes on Monday to explain her dissenting position.

The meeting, which took place at Mrs Kirkpatrick's request, was officially described as a routine briefing on UN issues for the President. The question of Mrs Kirkpatrick resigning was not raised, according to a White House official.

Although Mrs Kirkpatrick's view that the U.S. should have maintained its neutrality throughout the Falklands crisis was well known, public disclosures about the infighting within the U.S. foreign policy team are particularly irritating to President Reagan and his National Security adviser, Mr William Clark.

Mr Clark replaced the previous National Adviser, Mr Richard Allen, mainly in order to reimpose central control and coherence on U.S. foreign policy after a period of internecine struggle between the State Department and the more political and conservative officials in the National Security Council.

Mrs Kirkpatrick is a strong "neo-conservative" whose views are very close to those of Mr Allen. The more moderate drift of the Reagan Administration's foreign policy generally, as well as their personal commitment to Latin American régimes, have caused tension between herself and the State Department.


Jeane Kirkpatrick: in "row" with Haig

Death toll on both sides stands at about 830

BY DAVID TONGE

THE BRITISH Ministry of Defence announced yesterday that "some 250 Argentine personnel" were killed in the fighting for Port Darwin and Goose Green last week.

This brings the total Argentine deaths in the Falklands crisis to around 700. Britain has so far announced the loss of about 130 lives.

The heavy Argentine losses during the battle for Port Darwin and Goose Green compare with 17 British deaths during the engagement. They came as 600 British paratroops, supported by air and sea bombardment, attacked about 1,500 Argentine troops.

The figures were much higher than first reports had indicated and provide a grim reminder of the risks both sides face as up to 8,000 British troops advance on the 6,000-7,000 Argentine troops dug in around Port Stanley.

News of the deaths was only released over three days after the fighting had ended. British diplomats are watching out for any signs that the heavy loss of life could cause world opinion to shift against Britain.

In private, many British officials admit that the torpedoing of the Argentine cruiser, the General Belgrano, by a submarine, on May 2 and the subsequent loss of 329 Argentine lives cost Britain important support abroad.

At the time, the Ministry of Defence said the cruiser represented a threat, but Mr John Nott, the British Minister of Defence, later told Parliament that the nearest British surface ship had been 200 miles away.

Apart from those lost on the Belgrano, Argentina has announced that 65 marines have been killed. It has never given figures for aircrew shot down, but the British claim that over 50 Argentine aircraft have been destroyed.

Britain announced yesterday that funeral arrangements for the 250 dead Argentines were being made in accordance with Article 17 of the first Geneva Convention.

Soldiers 'started firing after showing white flag'

ARGENTINE soldiers waved the white flag after the battle of Goose Green, and then opened fire on British troops, it was disclosed yesterday. At least one British officer was killed in the attack, said Major Chris Keeble, who took command of the Second Battalion Parachute Regiment when Lt-Col Herbert ("H") Jones was killed.

Major Keeble was quoted in a despatch from ITN reporter Jeremy Hands. He said the Argentines' action "sickened" him.

Major Keeble said that the Argentines did not give in easily, but the Paras were used to fighting against heavy odds.

"They fought until they realised they were beaten. Then they showed the white flag. Then thy fought a bit further," he said. "That's what sickened me, particularly when you look into the loss of one particular officer's life.

"Their artillery was quite clever. They had three guns we could never ever find and they harassed us all the way down the operation."

Major Keeble also paid tribute to Lt-Col Jones. "This was his battalion; he trained it and he planned the operation."

"He died when success was almost at hand. All you see around you and all he had achieved was to his credit. We are just reflected in his glory."

Major Keeble agreed that the straight fight between two battalions — one in set position — was possibly contrary to usual military tactics.

He added: "I don't know what the history books will say about these events, but they (the Paras) displayed the same courage as at Arnheim.

He said the fight for the Falklands was "very worthwhile" after first thinking the conflict was only for principle. "But now I realise we are fighting for people and their homeland, and I'm glad we came."

Agencies

● A BBC report from the Falkland Islands yesterday alleged that the Falklands Islands Company had been selling goods to the Argentine invasion forces. The report was strongly denied by the company.

Mr Jeremy Hands, reporting from Goose Greene, said: "I have seen receipts proving that the Falkland Islands Company have actively traded with the Argentine Air Force. Receipts signed by one of the company's agents show that Land Rovers, sheep, lubricating oil for aircraft and much more had not been taken or stolen by the Argentines, but were actually bought and receipts given. This has caused much bitterness and anger among British forces here."

Grain board chief arrives in Moscow for talks

MOSCOW—The head of the Argentine Grain Board, Sr David Lacroze, has arrived in Moscow to discuss grain sales to the Soviet Union, Argentine officials said.

Sr Lacroze will try to estimate Soviet grain buying plans during an initial round of talks with the Soviet Deputy Foreign Trade Minister, Mr Boris Gordeyev, today, they added.

However, it was still unclear whether any contracts would be concluded during the four-day talks, which are intended to co-ordinate grain trade between the two countries over the coming year.

Last season, the Soviet Union bought 15m tonnes of Argentine grain, or about 85 per cent of its entire crop, while grain trade officials estimate that this season's purchases amount to some 8m tonnes.

Buenos Aires won large orders from Moscow during a partial U.S. embargo on grain sales to the Soviet Union in response to the Soviet military intervention in Afghanistan in 1979.

Moscow has since resumed purchases from the U.S. But grain traders in Buenos Aires say the Soviet Union is unlikely to abandon its grain trade with Argentina.

Moscow is a potential buyer of both wheat and feed grains, and particularly the latter, after reaping its third poor harvest in a row in 1981.

Reuter

Drinking water from the sea for Task Force

AMES CROSTA BABCOCK, international water treatment engineers and contractors, of Heywood, Lancs., are working round the clock manufacturing plants for the Royal Navy Task Force to enable drinking water to be produced from the sea.

The work is being carried out under the direction of the Ministry of Defence, Ship Department, Bath. It is the first time this type of equipment has been used in shipboard installations on such a large scale.

Orders have called for delivery times ranging from three to 14 days, compared with a normal delay of nine months.

Journalists' bail refused

THE THREE British journalists imprisoned since April 13 in Ushaia in Tierra del Fuego on charges of spying have had their appeal for bail refused a second time, Hugh O'Shaughnessy reports from Buenos Aires.

A higher court sitting in Comodoro Rivadavia refused the appeal of the men's lawyer, Dr Guillermo Balaban, and upheld the decision of Judge Carlos Sagastume in Ushuaia to refuse bail to Ian Mather and Tony Prime of the Observer, and Simon Winchester of the Sunday Times.

The three face the sentence of between two and eight years if found guilty.

Before his departure for Havana yesterday Sr Nicamor Costa Mendez, Argentina's Foreign Minister, said he would do his best to see the lot of the imprisoned journalists was improved.

Argentine naval officials privately indicated that the future of the three men, who have denied all the charges, could be closely linked to the fate of Capt Alfredo Astiz, commander of the Argentine contingent which invaded South Georgia in March.

Caut Astiz is being brought to Britain at the request of the French and Swedish Governments for questioning about his part in the alleged torture and murder of a Swedish teenage girl and two French nuns.

Peter Riddell, Political Editor, reviews Parliament's differences of opinion on the handling of the crisis

Opposition demand for face-saving formula

THE VAST majority of MPs and of the British public (according to opinion polls) support the Government's general approach to the Falklands crisis. But even within this majority there are important differences about the balance between military and diplomatic action; and there is still a significant minority who disagree fundamentally with the whole operation.

The differences are both about whether now, as Port Stanley is surrounded, Argentina should be given one last opportunity for a negotiated settlement and about the nature of any long-term deal.

Within the Government itself, there appears to be agreement about the immediate objectives: re-possession of the islands and expulsion of Argentine troops.

In Whitehall, there is almost no hope about the chances of a last-minute deal. Any offer to the Argentine garrison to surrender will be up to the British military commander on the ground.

Many Tory MPs, and ministers, are clearly reluctant to countenance any deal which smacks of compromise and believe that the sacrifices so far must be seen to be justified by outright military victory. This is the view of MPs like Sir Bernard Braine, Mr Julian Amery and Mr Alan Clark.

In contrast, the leaders of the Opposition parties—and for once it is fair to group them—have argued that, before a full-scale attack is launched, some attempt should be made to find a face-saving formula. This is both to avoid further loss of life and to avoid humiliating Argentina, thus making later talks even more difficult.

A further attempt at a negotiated settlement has been urged by both Mr Michael Foot, the Labour leader, and Dr David Owen of the Social Democrats. Both have warned against seeking unconditional surrender, and have argued that there can be no purely military solution to the dispute.


Debate over the Falklands: from left to right, Sir Bernard Braine, Tory MP . . . sacrifices must be justified; Mr Francis Pym . . . Foreign Office committed to negotiation; Dr David Owen, SDP . . . no purely military solution; Mr Tony Benn . . . leading the Labour "peace" group

Looking further ahead, the differences between politicians are more complex. Last Thursday in the Commons Mrs Thatcher, the Prime Minister, stated her war aims: "first, repossession of the islands; second, the restoration of British administration; and third, reconstruction followed by consultations with the islanders about their interests and ideas for the future."

Yet this statement begs the central question about the future of the islands. There has been keen analysis of every phrase uttered by senior ministers to detect subtle signs of splits. For once, the Whitehall euphemism "differences of emphasis" seems appropriate, at least for the moment.

Relations between Mrs Thatcher and Mr Francis Pym, the Foreign Secretary, have always been cool, now they could be described as chilly. This is partly because of differences of temperament and of attitudes towards the Tory Party. But there is also now an institutional difference in that the Foreign Office is, almost by definition, committed to negotiations and to keeping on friendly terms with foreign countries.

In contrast, Mrs Thatcher makes no secret of her criticism of the Foreign Office—more perhaps over the EEC than the Falklands. Many Tory MPs share this view and are not slow to attack Mr Pym.

There seems, however, to be broad agreement in London that, after the islands have been re-taken, there should be a period of British administration while life returns to normal and there is a chance for consultations. Mr Pym has talked of a period of six months before views are canvassed.

The key differences within the Government are about the long-term. Mrs Thatcher appears to favour a primarily British solution, either a return to the pre-invasion position or even independence. And she is clearly prepared both for the possibility of poor relations with many South American countries and for the costs of keeping a sizeable garrison there. Mr John Nott, the Defence Secretary, has referred to the need for some submarines, air defence and a larger garrison than before.

The essence of this view, supported by many Tory MPs, is that after the loss of life, no Argentine involvement of any kind can be contemplated for the foreseeable future (that is, this side of a general election at the earliest).

The Foreign Office view stresses the international dimension. The need to bring South American countries into any long-term settlement and possibly the United Nations. Mr Pym talked last Thursday, for example, about eventual negotiations with Argentina and about the importance of the islanders living in peace, stability and friendship with their neighbour.

These differences should not be exaggerated. There is, for example, agreement on the need for large-scale investment in the Falklands, reversing its economic decline and improving its communications along the lines of Lord Shackleton's 1976 report. And even so-called hardliners in the inner Cabinet have talked about involving other countries.

Mr Nott has, for example, referred to *discussions*, though not *negotiations*, with other South American countries. He has said there could be a long-term guarantee, maybe involving the U.S. and South American countries.

Similarly, Mrs Thatcher has said the solution "will depend on what other nations are prepared to do, how much they are prepared to invest and to develop, and what arrangements can be made for long-term security." While the Foreign Office and Downing Street views may in practice converge over time, their immediate priorities and instincts remain different.

These attitudes worry the Opposition parties. The Labour view, as put forward by Mr Foot and by Mr Denis Healey, the deputy Labour leader, has been that any longer-term solution must centre on the United Nations, possibly involving some form of trusteeship. Dr Owen of the SDP has similarly stressed the need for a negotiated settlement and urged the possibility of some form of strategic trust territory, run by the UN Security Council, on which the UK has a veto. He has warned that a "Fortress Falklands"—with the risks of attacks on shipping and bombing and isolation from the mainland — is not in the islanders' interests.

There are, however, many views on the Left — apart from those of the official Labour leadership.

The so-called "peace" group in the Commons, about 60 MPs many of whom are followers of Mr Tony Benn, oppose the sending of the Task Force and generally favour a tightening of economic and financial sanctions against Argentina.

Various "hard-left" activist groups outside Parliament are reflected in newsletters like London Labour Briefing and Labour Herald, which have described the dispute as "colonialist" with Mr Foot being in the "imperialist camp."

On the Trotskyite fringes, Mr Ted Grant of Militant Tendency has condemned the "meaningless pacifist gesture" of Mr Tony Benn and his allies in demanding the withdrawal of the fleet and pointed to working-class support for the "war."

Canada gives tax and price boost to oil industry

BY JIM RUSK IN OTTAWA

THE CANADIAN Government, under the impact of the weak world oil price, has given the country's oil companies C$2bn (£887m) in tax and price concessions until 1986.

The concessions, announced by Mr Marc Lalonde, Energy Minister, are heavily weighted to the near-term, with over half the benefits going to the industry by the end of next year.

The changes are a significant retreat for the Government which, with its National Energy Programme (NEP) of 1980, had banked on extra oil revenues to reduce its budget deficits.

When price agreements were concluded with the oil-producing provinces last year it was expected that after operating costs about 37 per cent of petroleum sector revenues would go to the industry, with the Government sharing the rest.

But the tax regime turned out to be highly price sensitive and the weakness of world oil prices completely overturned the estimates of revenue.

The resulting slide in industry activity has accelerated in recent months, forcing concessions from Ottawa and from Alberta, the main producing province.

Alberta gave the industry C$5bn in tax reductions. As a result of the concessions the industry's share of production revenue has been brought up to 46 per cent until the end of 1986, roughly the same level the industry received through the latter half of the 1970s, before the National Energy Programme.

Together with weak oil prices, the changes have hit the federal Canadian treasury hard. Ottawa now estimates its revenue will be C$36.6bn in 1981-86 period, C$25bn less than estimated last September.

Alberta's revenue is forecast to be C$52.5bn, down C$22bn, and the industry's share C$73.8bn, down only C$4.5bn. For those estimates to hold up, Canadian energy planners are banking on world oil prices to grow by an annual average of 2 per cent in real terms in 1983-86.

Mr Lalonde made no concessions to U.S. complaints over his aim to gain 50 per cent control of the industry for Canadians by 1990.

The controversial back-in provisions allowing Petrocanada, the state oil company, to take a quarter share in frontier and offshore discoveries are unchanged.

Mr Lalonde said that the degree of Canadian ownership in the industry had risen to 34.7 per cent from 28 per cent when the NEP was announced in autumn 1980.

Arms curbs 'could be agreed by next year'

BY ANATOLE KALETSKY IN WASHINGTON

AGRREMENTS on strategic nuclear arms reductions and on the control of nuclear and conventional forces in central Europe could be concluded by the end of 1983, according to a group of 17 political leaders from Western Europe, the USSR, the U.S. and Third World countries.

A report published yesterday by the independent Commission on Disarmament and Security Issues says the U.S. and Soviet Union have overall nuclear parity and that neither side can, or should, hope to achieve nuclear superiority.

The commission is headed by Mr Olaf Palme, the former Swedish Prime Minister, and includes Mr Cyrus Vance, the former U.S. Secretary of State, Mr Georgi Arbatov, a member of the Soviet Communist Party, and Dr David Owen, the former British Foreign Secretary.

It dismisses any ideas that a nuclear war can either be "limited" or won by one side or the other as "dangerous and fallacious," and rejects the notion of "linkage" between arms control negotiations and other political and diplomatic issues.

The commission believes that the withdrawal of all "battlefield" nuclear munitions from central Europe could be accompanied by an agreement on conventional force reductions.

Talks on conventional forces have been going on for 10 years and the sides are now close enough for complete agreement to be reached by the end of this year if there was "the political will to do so," according to the commission.

The commission's two years of study included discussions with President Lonid Brezhnev, Mr Eugene Rostow, the Director of the U.S. Arms Control and disarmament Agency, and other officials closely involved in disarmament negotiations.

Reagan squares up for testing trip to Europe

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan leaves today for a ten-day trip to Europe in which he will visit four countries—France, Italy, the UK and West Germany—and attend two summit meetings.

His aides say he is particularly anxious to make a good impression on what is considered to be his most important foreign venture since taking office. It is his first trip to Europe as President.

The U.S. has a number of concrete proposals to put to the first meeting, the seven-nation world economic summit in Versailles.

They include new proposals for international economic co-operation and a study of intervention on foreign exchange markets.

Officials admit, however, that the over-riding objective from the White House's point of view is to improve Mr Reagan's image as a peacemaker in Europe and at the same time reaffirm the unity of the Western alliance.

In respect of the alliance, the showcase event will be the Nato summit in Bonn at the end of next week, at which Spain will be ceremoniously welcomed into the alliance.

Most presidents make a European visit ones of their first priorities on assuming office. But Mr Reagan's aides argue that he was wise to delay his first trip—for almost a year and a half—to concentrate first on getting the U.S. economy in order.

This, they argue, is in the interests of the alliance as a whole. Mr Reagan will not, however, as he had hoped, be able to arrive in Europe with agreement on a 1983 U.S. budget behind him, or economic recovery fully under way.

Nor have U.S. interest rates fallen, as he had assured his partners that they would at the last economic summit in Ottawa last July.

Nixon and Carter pick their presidents for 1984

BY CHRISTOPHER PARKES IN WASHINGTON

MR RONALD REAGAN will be re-elected U.S. President in 1984 because he will have kept his main campaign promises, acording to, former president Mr Richard Nixon.

"He will have cut taxes. He will have cut inflation. He will have cut Government spending and he will have cut unemployment," Mr Nixon declared in a CBS news programme.

Mr Reagan will defeat Democrat Senator Edward Kennedy, who, though he would be the strongest Democrat candidate, is hampered by a 1960's mentality, a 1960s outlook and 20 pounds of surplus weight, Mr Nixon said.

There was "no way" that former Vice President Walter Mondale could hope to win the Democrat nomination, he said. "He is just a warmed over Carter . . . he just does not come over."

It was vital, however, that President Reagan should soon declare his intention to run again, otherwise he could risk being seen as a "lame duck."

Opponents accused Mr Reagan of being "just an actor, a sort of dummy," Mr Nixon said. But he is "much smarter than his critics give him credit for."

Former president Jimmy Carter, meanwhile, has thrown his weight behind Mr Mondale's expected campaign to aim for the presidency.

Mr Carter said at Anaheim, California, at the weekend that the country would be better off if he were still in the White House.

But he had no plants to run again and would instead help his former vice-president.

Mr Carter, who was launching his memoirs "Keeping Faith," at the American Booksellers' Convention, said Mr Mondale was "a good man, a reasonable man, a competent man."

Over half Cuba's 10m population was born after the revolution. William Chislett met some in Havana

Glamorous West beckons disaffected Cuban youth

Twenty-three years after President Fidel Castro's revolution, queuing, rationing of food and clothes, overcrowded public transport and an acute shortage of homes are still the norm in Cuba. The austerity of their living standards compared with the material prosperity of tourists and exiles has created a growing resentment among young Cubans who have known no other way of life

WHEN THE Cuban Government put special towels to commemorate Mother's Day on sale in Havana last month, at least one plate glass door was smashed as people stampeded into shops to buy them.

Only 900 towels were reportedly made for Havana's population of almost 2m. Cubans can buy two towels or sheets—but not both—a year under the rationing system started in 1962, three years after Sr Fidel Castro came to power. Towels are rarely available on the free market, which supplements the rationing at higher prices, or on the flourishing black market at exorbitant costs. Productivity is very low in Cuba.

Queues to buy the towels started at the crack of dawn. Cuban housewives were sleeping in the street outside shops in order to get a head start in the queue the next day, but the Government stopped this practice in March. "I have slept three nights outside to get an electric fan," said one young housewife, who failed to buy a towel.

Queueing, rationing, overcrowded buses and a dire shortage of homes are still the norm in Cuba. The quality of life has long been austere, but Cubans say it is more spartan now than for over a decade.

Butter, eggs, cheese and yoghurt are increasingly scarce. The rationing system at low prices—for an adult each month—includes five pounds of rice, four ounces of coffee, 10 ounces of black beans. And an adult can have one pair of shoes a year.

Depressed prices for sugar, Cuba's main export, a tightening of the 20-year-old U.S. trade embargo on the Caribbean island — which is only 90 miles from Florida — and the high cost of servicing Cuba's estimated debt of $3bn (£1.66bn) to the West have plunged the country into its worst economic crisis since Sr Castro's revolution in 1959.

Constrained

Washington's ban on travelling to Cuba for business or pleasure came into force on May 15 in an effort to limit even further the flow of dollars to the country.

Cuba's economy is also constrained by its role within Comecon. Most Cuban debt is owed within Comecon in non-convertible currency, mainly to the Soviet Union. The Soviet Union has deferred the start of re-payment of nearly all of Havana's debt to Moscow until 1986.

Cubans are cushioned against their frugal existence by free education and health services, and a guaranteed basic wage when there are lay-offs. All of this is in stark contrast to the rest of Latin America, where people die of starvation and millions are illiterate.

Even so, Cubans are becoming increasing weary of their daily drudgery after 23 years of making sacrifices and seeing no appreciable change in their standard of living.

Cubans are also less afraid now to complain about their situation in private conversations to foreigners. This, despite the greater vigilance exercised by the authorities since 125,000 Cubans voted with their feet two years ago and fled to Miami.

"We have got social welfare," said a 27-year-old worker in the transport sector, who said he would like to leave Cuba, "but the price has been too high. The cost has been a total lack of freedom."

Half of Cuba's population of 10m was born after Castro's revolution or, like the transport worker, was not old enough to remember it. During a 10-day visit to Cuba last month, I met few people under the age of 30 who wanted to stay in Cuba—apart from members of the Cuban Communist Party or its youth organisation (a total of almost 1m).

The U.S. is still regarded as the land of promise, although many of these who left in 1980 are unemployed. Cuban newspapers are redoubling their efforts to dispel young people's rosy image of the U.S. by constantly highlighting the record U.S. unemployment.

It was the unemployment problem that caused the U.S. to shut the door on Cubans wishing to emigrate there, and this has closed a safety valve in the Cuban system. Only the elderly, who have relatives in the U.S., are allowed to visit their families. Every morning old people, some barely able to walk, gather at the U.S. Interests Section the Swiss Embassy in Havana, hoping for permission to visit their sons and daughters.

The transport worker is typical of the young generation in Havana: he tends to have a glamorous image of the West. Tourists and Cuban exiles, returning to see members of their family, stand out as products of Western consumerism. He knows that they eat better than he does, wear clothes which cost him a small fortune on the black market and can speak out without fear of reprisals.

He resents having to make do with his frugal diet while the best rum and cigars are only available to foreigners, who pay for them in dollars in special shops. Tourists consume more butter in a day than he does in a week.

Shortage

He earns 300 pesos a month ($365 or £200), about double the national average, and his overheads are not high. He and his wife and his brother's family have to live with his parents, like most newly married couples, because the housing shortage is so acute. But there is nothing on which to spend his money, other than clothes on the black market. He recently bought a pair of jeans for 90 pesos ($109).

Weekends are spent at the family's modest beach house outside Havana—his father's spotless 1957 U.S. car, a collector's item like many cars in Havana, gives the family some freedom of movement. Petrol is rationed to 20 gallons a month and the supply on the free market at two pesos a gallon ($2.4) is tighter.

The waiting list for new cars is about two years, but it is extremely rare for an individual to get onto the list. New cars go to government departments and to senior officials in their public capacity. Consumer goods, such as televisions and fridges, go only to individuals who get on the waiting list because they satisfy criteria as exemplary workers and citizens, volunteers for unpaid work, repudiators of religion and union activists.

Recent weekends at the beach-house have been spent helping to build extra rooms to accommodate the larger family. It took months to gather enough building materials, most of which were bought from people who had stolen them from work. This is an increasingly common way to earn more money. Those caught can be imprisoned for several years.

The transport worker is curious about the outside world, and invited me to spend the weekend with his family. At night, with a group of like-minded friends, the family watched U.S. television. It is easy to pick up the U.S. stations on the Cuban coast. He is looking forward to hearing the U.S. Government's new propaganda station aimed at Cuba, which is planned to start this year.

● Cuba's economy: a further tightenign of the screw, Page 29.

Japan expects conflict with EEC to continue

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR IN TOKYO

JAPAN'S TRADE conflicts with the EEC are at their height and will continue for some months, according to a senior official of the Ministry of International Trade and Industry (MITI) in Tokyo, but disputes with the U.S. have passed their peak.

Mr Kazuo Wakasugi, Director General of the International Trade Policy Bureau at MITI, said that Japan's export slowdown would continue for as long as the recession lasts and this will reduce trade frictions.

On a Japanese reading the recovery of the EEC economy will be sluggish and less marked than in the U.S., where revitalisation of the economy is likely to start towards the end of the year.

The size of the U.S. and EEC trade deficits with Japan has been the source of increasing friction, especially over the last 18 months. There is tentative evidence, however, that the size of the deficits is being reduced.

In the first four months of this year, the U.S. trade deficit with Japan actually increased 51.3 per cent over the same period of 1981, but quarter by quarter the deficit is declining.

During the early part of this year, Japan sold the U.S. goods worth $12.3bn (£6.83bn), or 7.4 per cent more than in the first four months of 1981. It bought goods worth $8.3bn, 5.6 per cent less than in the comparable period last year. The deficit of $4bn emphasises a trend which became apparent last year. The U.S. trade deficit with Japan during the 1981 third quarter was $4.2bn; in the final quarter it was $4.1bn.

Trade diplomats challenge Mr Wakasugi's optimistic reading of the state of U.S.-Japan relations. They note that although the Reagan Administration has headed off potentially damaging Congressional moves to pass trade reciprocity legislation, a number of local content bills remain current.

Reciprocity legislation was directed at Japan: it embraced the idea that the U.S. market should be open to foreign companies only to the extent that the domestic markets of those foreign companies are open to U.S. exporters.

The local content bills, often directed at the motor industry, provide that the quantity of imports should be directly related to the amount of local procurement carried out by the foreign selling company.

U.S. officials concede that the Congressional mood is volatile in an election year and that there is always the danger of protectionist bills passing in a flurry of legislative activity before the November elections.

Although Japanese exports to the U.S. remain higher than a year ago, they have declined in the case of the EEC, while the level of imports has increased.

In the four months to April this year, Japanese sales to the EEC were valued at $6.3bn—0.7 per cent less than in the same period of 1981. Japanese imports from the EEC rose 5.7 per cent to $2.9bn. This left an EEC deficit of $3.4bn. In the third quarter of 1981, the EEC's deficit with Japan was $2.5bn and, in the final quarter, $2.37bn.

The difference in the experiences of the U.S. and the EEC has partly been caused by the movements of the yen, which has tended to rise against European currencies but remain low against the dollar. At the same time around a half of U.S. sales to Japan are foodstuffs and raw materials, which are more sensitive to the recession in the Japanese domestic economy than the manufactured goods which make up the bulk of EEC exports.

These trading movements have been taking place against the background of a sustained EEC and U.S. effort to win from Japan both further export restraint and greater access to the Japanese market.

The fruits of that effort came last week when the Japanese Government announced its second package of trade liberalisation measures in six months.

The effect on imports is likely to be marginal over the next few months, however. Although the Japanese economy has a great and unused capacity to import, the immediate prospects for expansion of demand are not considered good.

Economists here doubt whether this year the growth of gross national product will be more than 3 per cent although, under pressure from Western trading partners, the Japanese Government might seek to stimulate the economy through an enlarged programme of public works.

Malaysia agrees to buy 88 Skyhawks

By David Dodwell

MALAYSIA agreed yesterday to buy 88 refurbished McDonnell Douglas "A-4" Skyhawk attack aircraft for about $330m (£183m) according to Lieut.-General Mohamad Taib, head of the Royal Malaysian Air Force.

The announcement ends almost four years of deliberation on the aircraft purchases, which are intended to strengthen the country's air-force capability.

Since last October, there has been speculation that the Malaysian Government wanted to at least modify, and perhaps scrap its plans to buy Skyhawks and instead by a number of more expensive, more sophisticated Vought A7 Corsairs.

The final decision to go ahead with the Skyhawk deal underscores the fact that the Government is in the process of scaling down its defence purchase programme.

Malaysia's export earnings have slipped behind target over the past year, mainly because of depressed world demand for the country's commodity exports.

As a result, Mr Mahathir Mohamad, the Prime Minister, has launched a major review of government spending. Defence spending has been expected by many foreign observers to be one of the first areas to see cuts.

Plans to build a $600m airbase in the north-eastern state of Kelantan have been frozen since a meeting about a month ago between the Prime Minister and his deputy and leaders of Malaysia's armed forces.

The Skyhawks, currently in storage, are between 15 and 10 years old. Of the 88 to be bought, 68 are expected to be refurbished, with the remaining 20 being used for spares.

Malaysia recently bought 51 British Scorpion tanks and armoured personnel carriers, worth about $43m.

The Malaysian navy also recently bought fast patrol boats from Sweden.

In common with neighbouring countries in South-East Asia, Malaysia has been galvanised over the last two years by the continuing military conflict in Indochina to build up its armed forces.

Brazil and Britain settle on replacement power station project

BY A SPECIAL CORRESPONDENT IN RIO DE JANEIRO

BRAZIL and Britain have settled on a coal project to replace the £280m Santa Cruz power station deal cancelled by the Brazilian Government in March.

The project is the construction of a 350 MW power station on the Jaqui River in Rio Grande do Sul state to supply electricity to Porto Alegre.

The price, the design, and the exact site for the project have yet to be finalised, but the consortium of British and Brazilian companies involved have a memorandum of understanding with the state's electricity company, Electro Sul, for the station.

The British project managers are Northern Engineering Industries and Kloeckner UK, who were also the leaders in the Santa Cruz scheme. The cancelled project was for the conversion of a 600 MW power station near Rio de Janeiro and the associated development of the Prospera coal mine in Santa Catarina state. It was apparently dropped because of low world oil prices and a cut in long-term forecasts of electricity demand in Brazil.

The coal for the Jaqui station will come from the Leao II mine about 60 miles from Porto Alegre, which is being developed with World Bank financing. The infrastructure is under construction and shafts have been sunk into the seam.

Under existing plans, the mine will have capacity of five long-wall faces, but the Brazilian Government will be deciding within the next few days whether this will have to be increased to meet the demand of the new Jaqui station.

Tenders from about 20 British, U.S., Japanese and West German companies are in for the mining and tunnelling machinery and locomotives for the existing scheme, but London hopes that any expansion of the plans would be exclusively with British companies.

Leao II is next door to Leao I, which is Brazil's first mechanised mine with one long-wall face. Production began seven to eight weeks ago with equipment supplied by the British companies Anderson Strathclyde and Doughty.

The Santa Cruz package was to be made up of three financial elements—loans guaranteed by the British Government's ECGD, aid from the Overseas Development Administration and a separate Euroloan of some $250m.

All three will have to be reassessed before the Jaqui project goes ahead, but the government hopes in the end to have a package roughly equivalent to the Santa Cruz deal.

Department of Trade officials discussed the project with representatives of the Brazilian State Electricity Co-ordinating Company, CAEEB, in Porto Alegre last week.

Finnair orders five airliners

By Michael Donne, Aerospace Correspondent

FINNAIR, the Finnish national airline, has ordered five of the new Franco-Italian ATR-42 commuter airliners, now being developed by Aerospatiale of France in conjunction with Aeritalia of Italy.

The aircraft, each carrying 46 passengers, will be delivered to the Finnish airline starting in 1986. They will be used on internal services in Finland, replacing Fokker F-27s now in service.

Hong Kong-Vancouver service planned

CATHAY PACIFIC Airways, the Hong Kong-based airline, is planning to start a nonstop service between Hong Kong and Vancouver, British Colombia, Canada, from May 1 next year, our Aerospace Correspondent reports.

Using Boeing 747 Jumbo jets, the airline will fly the route initially twice-weekly, returning to Hong Kong from Vancouver via Tokyo.

At the same time, the airline is planning to fly between Hong Kong and Auckland, New Zealand, on a once-weekly basis.

Cathay Pacific is majority-controlled by Swire Pacific

Manila incurs U.S. wrath over cargo scheme

BY OUR MANILA CORRESPONDENT

THE PHILIPPINES, the first country to adopt the Unctad code of conduct for liner conference, has incurred the wrath of the U.S. over a cargo-sharing scheme which would give 40 per cent of exports and imports on the Philippines-U.S. liner trade to Filipino carriers.

It would give another 40 per cent to U.S. carriers and the remaining 20 per cent to so-called cross traders.

Criticism has come from local agents of foreign lines, and although U.S. ships are supposed to be among the intended beneficiaries, the threat of retaliatory action has come from Washington.

In a note last week from the U.S. embassy to the Philippine Ministry of Foreign Affairs, the U.S. Government sought suspension of the scheme pending discussions between the two governments.

The note said that Washington was still in the process of reviewing its maritime laws and cannot enter into discussions yet.

Both in this note and in two earlier ones, also sent by the embassy, the U.S. Government reminded Manila, that, if the cargo-sharing scheme was proved to be discriminatory to U.S. carriers, the options open would be imposition of duties and other restrictions on Philippine goods entering the U.S. market as well as limitations on Filipino carriers sailing to or from U.S. ports.

The sending of the third note came after President Ferdinand Marcos had approved the scheme's implementing guidelines, drafted by the Maritime Industry Authority (Marina), making the Philippines the first country in the world to adopt the Unctad code of conduct for liner conference.

Between the second and third notes, Mr Anthony Albrecht, Deputy Assistant Secretary for East Asia and Pacific Affairs at the U.S. State Department, was reported to have assured Vicente Valdepenas, Philippine Deputy Minister of Trade and Industry, that the U.S. would not oppose the scheme.

Two Philippine flag lines, Maritime Company of the Philippines and National Galleon Corporation, are assigned 40 per cent of the liner trade although they have only 10 ships on the route. The guidelines, however, allow pooling arrangements and the two presumably will go into a pool with foreign lines.

Daewoo wins $120m Saudi plant contract

BY ANN CHARTERS IN SEOUL

DAEWOO SHIPBUILDING and Heavy Machinery broke into the highly-competitive market for construction of petrochemical plants recently when it won the $120m (£66.6m) contract to build a polyethylene plant for the Al-Jubail petrochemical complex in Saudi Arabia.

The complex, with several petrochemical plants already functioning, is being built for Al-Jubail Petrochemical, also known as Kemya, a joint venture between Saudi Basic Industries and Exxon Chemical of the U.S.

Five Japanese and two Korean companies submitted bids in early 1981 for the linear low-density polyethylene plant to be built in modules, transported by barge and assembled on the central coastal site in Saudi Arabia.

Fluor Engineers and Constructors Inc, a U.S. company, was hired by Kemya to design and prepare the tender for the project as well as evaluate the bids.

Fluor won the general management and engineering contract for the plant which will produce 24,000 tons annually and subcontracted the basic enginering and manufacture of the facilities to Daewoo.

As a matter of policy, Daewoo prefers using independent consulting engineers for projects rather than making an expensive investment in research and development.

Mr Hong in-Kie, president of of Daewoo Shipbuilding and heavy machinery, admitted that it was "quite exceptional" that Daewoo had won the contract given the competion, but that the company's current work on a saltwater treatment plant ordered by Bechtel for Alaska had helped.

The plant is being built on a module basis, not strictly the same, but similar to the work Daewoo will undertake for the petrochemical plant.

Kuala Lumpur rejects French offer of credit

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA has indicated to France that it prefers not to take up a line of credit offered by M Marcel Jobert, its external trade minister.

Datuk Musa Hitam, the Malaysian Deputy Prime Minister, who returned from a European visit, said in Kuala Lumpur on Monday that he had told M Pierre Mauroy, the French Prime Minister, that Malaysia wanted to see France investing in Malaysia and not coming to sell goods and win contracts.

The credit facilities, the amount of which had not been disclosed, was for Malaysian purchases of French goods. Datuk Musa pointed out that Malaysia had no problem in getting international credits, but needed foreign investment and technology.

He said Franco-Malaysian ties were at a "basic" level and were "not very good.

"France buys from us what it needs and we do the same. There was also virtually no political contacts which is essential for an expanding economic relationship," he said.

He added, however, there was evidence that France was showing renewed interest in Malaysia and South-East Asia as shown by the visit of M Jobert.

Canvassing the conservative vote of the suburbs

Margaret van Hattem visits the scene of Thursday's by-election

"EIGHTEEN MONTHS I waited *for my house*—18 months. Then I went to see Mr Douglas-Mann, and three weeks later I was inside my own house." The ociogenarian peers more closely at the young Labour candidate before delivering the punch line: "I've voted Labour all my life—I hope you're going to be as good as he was."

So much for the personal vote on which Mr Bruce Douglas-Mann is depending to hold for the Social Democrats the seat he first won for Labour. So much for the hours of surgery work with which he nurtured a reputation as one of Greater London's finest constituency MPs.

A large number of the voters of Merton, Mitcham and Morden received help from Mr Douglas-Mann during his eight years as *their* MP, and many of them have mentioned the occasion, with grateful appreciation, while being canvassed over the past three weeks.

But, by and large, they appear ta conservative lot, and never more deeply conservative htan in their support for the Labour Party, for which the constituency was, for some years before 1979, considered a safe seat.

It is the sort of conservatism that goes with hard work and modest expectations; that lives in neat brick semi-lovingly tended gardens.

It is because of their conservatism that many of the people so exhaustively canvassed in the past three weeks *speak of their former MP with* respect and even some affection. But they cannot bring themselves to cross with him to this new party, even though it appears to have more in common with the old traditional Labour Party for which they previously voted than does the present Labour Party.

It is because of this conservatism that many of them found it relatively easy to transfer their allegiance to the Tories in 1979, and many more look like doing os this time.

Mr David Nicholas, 36, the primary school head teacher who is standing for Labour, realised fairly early in his campaign how much an issue like the Falklands crisis would appeal to this electorate and damage his own chances.

The crude nationalism of some of the popular newspapers finds its echoes in the streets here, where there is much talk of "our boys" and where Mrs Thatcher receives the grudging but constant tribute: "At least she's got guts, which is more than you can say for some of the others."

Mr Nicholas responded by trying to concentrate his campaigning on longer-term issues, such as the economy and unemployment which, in more normal times, might have secured him a place at Westminster.

But *despite the recent* findings of a Gallup poll, which showed more people in the constituency to be preoccupied with these issues than with the Falklands, indications are that the nationwide wave of pro-government sentiment will sweep the Tories to victory here as it did in Beaconsfield last week.

Labour's problems in dealing with the Falklands crisis, in trying to reconcile working-class nationalism and middle-class anti-war liberalism, appear to have muffled his campaign just as they have strangled the voice of the party's leadership at Westminster.

Throughout the campaign, Mr Nicholas has sought to play down his image as a post-1980 identikit Labour candidate, —young, hard Left, middle-class, committed to the supremacy of the party conference over the parliamentary wing of the party.

But his assertion early on that the Task Force should never have been sent to the South Atlantic has defined him in a way his campaign leaflets could not. If he stands with Mr Tony Benn, Dame Judith Hart and Mr Ken Livingstone on the Falklands issue, the feeling goes, he will probably stand *with them on other issues as* well.

For Mr Douglas-Mann, the impact of the Falklands crisis has been a disaster. Together with the Pope's visit, the Bank Holiday, the school half-term and the hot weather, it has deflected attention away from the personal issues on which he planned to campaign and on which up to two months ago, he expected to win.

As it is, he has been left to react — to the Government's handling of the crisis, which he broadly suports on the one hand — and to Labour smears accusing him of wanting "to acquire bigger and better bombs; to support privileged treatment for the rich in health, housing and education; and to support anti-working-class legislation" on the other.

The Tory candidate, Mrs Angela Rumbold, has been the favourite from the start and has grown more confident as the campaign progressed.

Her early concentration on the Falklands crisis seems to have given way to a realisation that attention is already focused on the issue, and that she has no need to expose herself to accusations that the Tories are seeking to wring political capital out of it.

Of the three main candidates, she was the only one sufficiently confident to break off from campaigning over the long weekend, saying people did not want to be disturbed during their holidays.

With one more day of intensive campaigning before the polls open on Thursday, Mrs Rumbold appears set to be the first government candidate ever to take an Opposition seat in a mid-term by-election.

The Social Democrats, who will be doing well to come second, may write off the whole episode as sheer bad luck, though no more Labour defectors are likely to test their position at the polls any earlier than is strictly necessary.

Labour, whose candidate lost his deposit in the Beaconsfield by-election, ought to do considerably *better on Thursday* and may yet push the Social Democrats into third place.

But in mid-term, Falklands notwithstanding, this is a seat which ought to have been within Labour's grasp. That it does not appear even remotely so says a great deal about the Labour Party which few of its members appear ready to confront.

THE CANDIATES: (from left) Mr Bruce Douglas-Mann (SDP), Miss Angela Rumbold (Conservative) and Mr David Nicholas (Labour)

BY-ELECTION
MERTON
MITCHAM
MORDEN

Many blame riots on job losses

By Lisa Wood

A HOME OFFICE survey today suggests that more than 40 per cent of young males questioned in *Handsworth*, Birmingham, blamed unemployment for last year's disturbances in that inner city suburb.

The survey, of some 500 males between 16 and 34, 32 per cent unemployed, was made three months after relatively minor riots occurred in Handsworth last July. Forty policemen were injured, 121 arrests made, and claims for damages exceeded £100,000 — a small *fraction of* the £20m riot damages claimed in the country as a whole.

Of those questioned, 43 per cent of the Handsworth sample blamed unemployment; 23 per cent copying of troubles in other areas; and 22 per cent "boredom."

"Agitators" were held responsible for the police-community conflict by 14 per cent, racial tension and police harassment by 10 and 9 per cent reespectively.

Nearly half the sample said they knew in advance there would be trouble, but in most cases they heard by word of mouth, not from media sources.

No one ethnic group, says the survey, was disproportionately represented, taking into account the ethnic make-up of the area.

Public disorder, Home Office Research Study no 72. SO £4.75.

Merger to form basis of Co-op restructure

BY DAVID CHURCHILL

THE LARGEST manufacturing and retail groups in the Co-operative movement are likely to merge, forming the basis of a restructuring of the Co-operative trading system.

The Co-operative Wholesale Society, the manufacturing arm of the Co-op movement with sales of £1.9bn last year, is keen to merge with the Co-operative Retail Services.

The CRS, which traditionally takes over retail societies in trading difficulties, had sales of £823m last year and is the largest Co-operative retail society.

The two organisations would have sales of more than £2.7bn and would account for a quarter of Co-operative retail trade.

Mr Peter Paxton, chairman of the CWS, told delegates at the Co-operative congress in Brighton yesterday that a *link-up of the two groups* should come "sooner rather than later," and should involve "one balance sheet instead of two."

He said it was "the only way that resources can be concentrated sufficiently to deal with the problems that CRS has inherited—and some yet to emerge—which the present regionalisation proposals will not cope with."

Last month the CRS revealed that its rescue of two ailing retail societies last year—including the London Society—turned a trading surplus of £16.2m in 1980 into a loss of £3.4m last year.

Delegates voted by a majority of 7—1 for a major restructuring of the Co-op retail societies along the lines of the regional plan mooted in the early 1970s. This would create some 25 societies based on regional distribution and marketing centres.

The congress instructed the executives of the Co-operative Union—the co-ordinateng body of the movement—to encourage mergers "with a view to reducing the number of retail societies to 25 within two years."

An amendment said that such mergers should be encouraged only "after it has been demonstrated to be economically beneficial to societies concerned."

Mr Howard Perrow, chairman of the union's executive, told delegates the regionalisation plan was a "flexible blueprint for the restructuring of the movement."

Despite the overwhelming support for the regionalisation plan, it is unlikely to be introduced within two years. Many societies are unwilling to give up their independence until forced to by a disastrous trading performance. Mr Perrow attacked the "selfinterest" of those societies who did not accept the need for restructuring. "Some sacrifices on the *part of retail society directors* are needed," he said.

Although the number of mergers is increasing, many in the Co-operative movement believe the pace of change will be too slow and more drastic *measures are needed.*

Six-week alcohol duty deferment urged by Nedo

BY GARETH GRIFFITHS

DUTY PAID on spirits should be deferred for six weeks to help companies compete more effec*tively, and to bring UK practice* closer tothat of other EEC countries, a National Economic Development Office report, published yesterday recommends.

"The inequity of this strikes the industry even more sharply when account is taken of the fact that many foreign competitors enjoy duty deferment—and this in countries where the general levy of duty, is anyway lower than in the UK" the report said.

The gin and vodka group of the Food and Drink Manufacturing Economic Developmbent Committee in its first report on distilling, argues that the cost of funding immediate duty payments hits overseas marketing efforts. Companies have to spend the money on immediate payments, rather than on marketing budgets. Two thirds of UK gin production is exported.

Mr Jaspar Grinling, chairman of the group, and Grand Metropolitan's director of corporate affairs, said the report's recommendations were aimed at the *Government.* The question of duty deferment was so important that the industry would agree to a progressively phased introduction if need be, he added.

The cost of introducing duty deferment for spirits would be an estimated £20m as a once-and-for-all interruption in cash flow. The Customs and Excise is reported to be against a sliding scale of changes and wants any change ot be immediate. The last full survey, in 1977, showed a cost to the Government of £135m.

The report concentrates on the gin side of the industry, because the UK vodka market is dominated by the three brands. Gin exports fell by 10 per cent, according to provisional 1981 figures, compared to 1980.

Apart from a change in duty policy, the report also recommends:—

● Government and the industry should seek the removal of significant barriers to overseas markets. UK companies' share *of free world markets is almost* 50 per cent, including their overseas production. The companies appear to be moving back towards producing gin in the UK. Repatriated profits from overseas gin companies were estimated at £8m in 1979.

Some countries, such as Brazil and India, ban all gin or vodka imports, and the group lists about 140 countries which inhibit trade. The emphasis *should be on dealing with the* most serious barriers.

● The Government and industry should work to maintain an efficient overseas distribution system. This involved clarification of EEC rules on the passing on of gin and vodka by the producers' original distributors to other distributors. Such deviations from sole distribution arrangements made by the compnay, had affected prices in the Netherlands for example. But the problem was small compared to the parallel trade in Scotch.

● The UK Government should press for fairer trading conditions in the rest of the EEC for UK producers of agricultural aycohol. Most member states had introduced national monopolies, which kept UK alcohol producers out of those markets. *Meanwhile, alcohol imports from* France, the Netherlands and Ireland had increased, reducing UK production by some 10 per cent.

Distilling—Gin and Vodka; Nedo books, Millbank Tower, Millbank, London, SW1; free of charge.

Williams and Glyn's to launch card account

BY ALAN FRIEDMAN

WILLIAMS AND GLYN'S, the fifth largest of the major clearing banks, is planning to introduce a card-based current account which pays interest.

Mr Rob Farley, executive director in charge of domestic banking, said yesterday the bank, which has 311 branches, is gearing itself for a launch in October of the card account.

This will allow customers to receive interest on credit balances and to withdraw money through Williams and Glyn's cash dispenser machines.

There will be no chequebooks, but customers may write cheques on their accounts if they wish. They will also be able to instruct Williams and Glyn's to arrange for the payment of certain monthly bills.

If the account were introduced today, the bank would pay interest at the rate of 9 per cent, according to Mr Farley. There will be no charge for the account, although the bank will consider a small quarterly fee of £1.50 if necessary.

"If we find we are not getting the level of balances then we might institute a quarterly charge, but we don't feel this is the time to be defensive," Mr Farley said.

The bank hopes to attract between 50,000 and 75,000 new customers through the card account. It already has 450,000 current account customers.

By the time the scheme is launched this autumn, Williams and Glyn's plans to have 105 cash dispensers in operation throughout Britain.

From July it will begin a reciprocal arrangement with the Royal Bank of Scotland, its parent.

Under this arrangement, customers of the two banks will be able to use their cash dispenser cards at branches of either bank. The Royal Bank of Scotland has 250 machines in place.

Mr Farley said the new account would also allow customers to make deposits at machines, to receive instant mini-statements and to withdraw up to £100 at a time.

He described the account as an "introductory package" designed to take the bank towards full-scale current accounts paying interest.

"This is a feeling of the way, a tentative move for us," he explained. The idea is to attract students and workers who do not have current accounts—part of Britain's "unbanked" population.

Mr Farley recognised that Williams and Glyn's was not big enough to "go after the unbanked in a bald-headed manner." Instead, the idea was to create a market around the cash dispensers, use a national network and make inroads on the building societies.

"I've got building society customers in my sights," he declared.

The move by Williams and Glyn's comes only a few days after word leaked that Midland Bank is preparing to announce its version of a current account which pays interest. The Co-op Bank is already paying 10 per cent on such an account.

Investor protection report is welcomed by dealers

BY JOHN MOORE, CITY CORRESPONDENT

A controversial report into investor protection, commissioned by the Department of Trade after the failure of a number of investment companies last year, has been welcomed by the National Association of Security Dealers and Investment Managers.

The association, representing the licensed dealers, has formally responded to the department's report, prepared by Professor Jim Gower. It disclosed its detailed comments yesterday.

The welcome is not without qualification. It believes that reform is urgently required, and supports Professor Gower's proposals for an adjusted balance between governmental regulation and self-regulation.

That plan would involve self-regulatory agencies in the City assuming regulatory and enforcement functions within their specialist spheres of activity, while the Government adopted a supervisory or residual role.

The association says that this approach is "a broadly satisfactory and acceptable system of regulation with a balance between statutory and self-regulation."

The association rebukes Prof Gower for his "negative tone" towards the Council for the Securities Industry, the City's ultimate self-regulatory body.

It believes that if his main proposals were accepted for balancing Government and self-regulation, there would be an enhanced role for the council.

Malaysia wins control of plantation group—at last

By Ray Maughan

HARRISONS and Crosfield has been steeling itself to cede control of the jewel in its crown, the 80.8 per cent holding in Harrisons Malaysian Estates, for the last four years.

A business which spans almost 80 years comes to an end next month when, under a Scheme of Arrangement, the Malaysian Government investment agency, Permodolan Nasional, takes control of HME's 167,505 acres of palm oil and rubber on the peninsula.

HME is the last and largest acquisition by Permodolan Nasional, or Pernas as it is sometimes known, from the British plantations sector.

These plantations companies have been doughty in resisting attacks across the London Stock Exchange floor, but Pernas has proved an irresistible suitor.

Harrisons has fought several battles in recent years and won most of them. Golden Hope, one of its major plantation satellites, tended off a bid from Genting, a Malaysian casino group, in 1977 before it merged with Pataling and London Asiatic, to form HME.

London Sumatra, another important associate, fought off a bid from a consortium of Rothschild Investment Trust, McLeod Russell and Sipef, a Belgian group, until Harrisons and Crosfield took majority control.

But throughout these battles, Harrisons knew that the Malaysian Government would be sucessful in its determined efforts to transfer a sizable proportion of the nation's wealth to the Bumiputera, the indigenous Malay population.

Pernas is the instrument of this policy. Its strategy in dealing with foreign companies is to take a 40 per cent stake to represent Malaysians of all ethnic backgrounds and a further 30 per cent specifically to represent the Malays, who will now benefit from Bumiputera participation.

The Bumiputera policy has already made substantial progress. Dunlop sold its remaining 51 per cent interest in its plantations subsidiary last autumn, and Pernas acquired a 40 per cent stake in Barlow Holdings' estates.

By far the biggest coup was the acquisition of Guthrie Corporation last September for £282.5m. Guthrie had beaten off an attempt by Sime Darby, another big plantations and trading group which has transferred its domicile from London to Malaysia, to take control.

Pernas completed in a matter of hours what Sime had failed to achieve in a period of months, if not years. Pernas "raided" Guthrie in the stock market on terms which its previously loyal shareholders felt unable to resist.

In the circumstances, there has been a tolerably congenial transfer of control for Harrisons and Crosfield. It keeps a 30 per cent holding in HME which, valued at some £100m, represents about a quarter of its total assets.

Depending on the take-up of Pernas' alternative cash offer, between 50 and 62.5 per cent of the plantations company will be held directly by the national investment agency, while applications are being made for the remaining equity to be quoted in London and Kuala Lumpur.

The principle of Bumiputera had been under discussion since 1976, but agreements started to be made only after the authority to effect these measures was vested in Pernas earlier this year.

Perhaps Harrisons & Crosfield's willingness to talk distinguishes this deal from the abrupt raid on Guthrie and the subsequent acrimony.

Perhaps it was because HME, the principal target, was managed at arm's length from the parent that Harrisons' chairman, Mr Thomas Prentice, felt able yesterday to accord the Malaysian authorities "the greatest admiration and respect."

Not that Harrisons has ignored its busines outside the rubber and palm oil mainstream. Its recent deals include the acquisition of Steetley's chemicals businesses in Australia and the £22m purchase of North American Philips Coporation, the chemicals distribution group.

Its timber interest, which can be traced back to its virtual control of tea chest production at the turn of the century, was enlarged three years ago by the £14.4m takeover of Parker Timber.

Harrisons' aim now is to expand these operations, and it has cash to do it.

But would this unused liquidity make Harirsons vulnerable to a bid? Mr Prentice is determined "to fight like a tiger in shareholders' interests to see off a predator."

However, the board is unlikely ever again to be given four years' notice of any predators' intentions.

De Lorean sit-in stops spares for U.S. dealers

By Our Belfast Correspondent

SHOP STEWARDS, who represent former workers at De Lorean Motors who are staging a sit-in at the Belfast factory, have refused a request from the receivers of the company to lift their blockade of the movement of spare parts to De Lorean dealers in the U.S.

Only a few dozen of the 1,390 employees, who were made redundant when production was suspended on Monday, are occupying the factory. But their week-long blockade of the plant has been effective through picketing the factory gates. The receivers' request was passed to the stewards at a meeting with the company management, but it was swiftly turned down.

Many former De Lorean shop-floor workers joined a trades union rally in Belfast yesterday to protest against unemployment, now almost 20 per cent in Northern Ireland. About 5,000 workers from the main engineering operations in Belfast, including the Harland and Wolff shipyard and the Short Brothers aircraft factory, stopped work and marched to the city centre.

The leaders of the Confederation of Shipbuilding and Engineering Unions say that there might soon be up to 3,000 more redundancies in the enginering industry. A special meeting of Belfast City Council supported the unions' call to the Government to prevent the province "becoming an industrial wasteland".

Belfast shipyard wants new chief

HARLAND and Wolff, the struggling Belfast shipyard which is getting a further £48m of government funds this year, is on the look-out for a new boss.

For the moment, it has appointed Mr Douglas Cooper in place of Mr Ronald Punt, who has just retired as managing director and chief executive. But the yard hopes to find a permanent successor this year.

Reuters to issue oil information

Reuters plans to add an oil service to its Monitor computerised business information system, which has extended the company's activities from traditional news reporting.

It will expand its shipping service, launched on the Monitor network a year ago, from tanker to dry cargo markets in August.

So far orders for the tanker service number about 170, of which 130 have been installed in various parts of the world. Reuters estimates the potential market at some 400 subscribers.

Planning loopholes are closed

Regulations amending the scheme of fees for planning applications in England and Wales came into effect yesterday, following approval by both Houses of Parliament.

The amending regulations, unchanged from the draft regulations laid before Parliament on April 19, provide for a 10 per cent across-the-board increase in levels of fees, and include changes to improve the system.

The changes reflect the experience of operation of planning fees since

Fewer unemployed not seeking work

THE PROPORTION of unemployed men not registered as looking for work nearly halved last year, according to preliminary results of the 1981 general household survey, published yesterday.

The survey reports that the proportion of unemployed men not registered with employment or careers services had remained nearly constant, at about 11 per cent, between 1976 and 1980, but the proportion fell to 6 per cent in 1981.

A marked decline since 1971-72 in the proportions of unqualified men and women aged between 25 and 69 is reported. The proportion of women with no formal educational qualifications in 1980-1981, at 62 per cent, was 18 per cent down on that for 1971-72. The proportion for men, at 49 per cent, was 22 per cent down on figures for 1971-72.

Start-up for longest N. Sea gas line

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE FIRST gas from Shell/Esso's new £1bn North Sea gas-gathering project started flowing into the national grid over the holiday weekend.

The 278-mile-long Flags—Far North Liquids and Associated Gas System—pipeline is the North Sea's longest gas line and will ultimately bring gas from eight offshore fields into St Fergus, on the Scottish coast.

By October this year the line is expected to be carrying some 350m cubic feet a day of natural gas—8 per cent of the total used in Britain—plus a daily average of 35,000 barrels of natural gas liquids.

The line will initially gather gas from Shell/Esso's giant Brent field as well as from the two companies' North and South Cormorant fields and from Chevron's Ninian field. Later, gas from Amoco's North West Hutton field will be fed into the system.

A Northern leg to the Flags line is being planned and is due to come into operation in 1983. This will enable gas from BP's Magnus, Conoco's Murchison and the British National Oil Corporation's Thistle fields to be brought into the system.

At one point there were hopes that gas from these fields would be carried ashore through Britain's ill-fated £2.7bn North Sea gas gathering scheme. But the proposed scheme was finally abandoned last year because of financing problems.

The Flags project itself is two-and-a-half years late in coming into operation. The delay was partly caused by difficulties over planning permission for the on-shore plants and uncertainty over how the natural gas liquids—propane, butane and ethane—would be used.

Shell, the line's operator, was eventually forced to redesign its St Fergus plant, where the natural gas is separated from the gas liquids. This involved substantial additional cost, although Shell yesterday refused to specify the amount.

The gas liquids will at first be used mainly to fire the power station at Peterhead. But Shell is building a £400m gas liquids separation plant at Mossmorran in Fife and they will eventually be sent there.

The Mossmorran plant, which will have the capacity to process 2.1m tonnes of liquids a year, is due to be completed in 1984. Ethane gas from the plant will be sent over the fence for use as raw material in a £500m petrochemical plant being built by Esso Chemical.

The Flags line itself, which cost £300m, will be able to deliver a maximum of about 600m cu ft a day of gas to the British Gas Corporation, as well as 60,000 barrels a day of liquids. Gas is already thought to be flowing through the line at the rate of 100m to 150m cu ft a day.

● British Gas yesterday confirmed that it has agreed with the U.S.-based Mobil to make some joint applications for North Sea gas exploration licences in the eighth licensing round.

Previously, British Gas had a gas exploration partnership with Amoco, another U.S.based group. But Amoco has become increasingly worried about the corporation's monopoly buying powers over North Sea gas and about its relationship with the Government.

British Gas is being forced to sell off its North Sea oil interests and some industry experts believe this could bring instability into any consortium to which the corporation belonged.

The eighth licensing round, which is expected to be completed by the end of this year, will concentrate on blocks in the central and Southern North Sea. This area has proved rich in gas in the past.

Shell petrol prices likely to rise 10p within week

BY SUE CAMERON

SHELL—one of the two joint leaders in the UK petrol market—is expected to raise its pump prices by as much as 10p a gallon within the next seven days.

The move will come in the wake of Texaco's decision to withdraw almost all price support for its petrol dealers. As a result, Texaco's pump prices went up by an average of 7p a gallon to about 169p on Monday night.

Texaco has insisted that its price rises had nothing to do with the British National Oil Corporation's (BNOC) proposal to increase the price of North Sea marker crude by $2.50 a barrel, to $33.50. The company, which has about 1,800 petrol dealers, says it put up its prices because it cannot stand the losses it is making on its refining operations.

Last night, Texaco said it was still not making a profit on its petrol sales—even with an average pump price of 169p for a gallon of four-star. It said petrol prices needed to rise to the "mid-170s" before it would break even.

Shell is thought to be taking the same approach. Yet the group appears to have mixed feelings about BNOC's proposed increase in North Sea crude prices. As a North Sea producer, Shell would benefit from higher crude prices—but its hard-pressed refining operation would be even more tightly squeezed if it were required to pay more for oil.

It seemed likely last night that the oil companies would agree — albeit reluctantly in some cases—to the planned rise in the price of crude. But BNOC was still waiting to hear from some of the major companies.

If the crude price rise goes through, it will be backdated to yesterday.

BNOC may try to effect a further increase in the price of North Sea marker crude at the start of next month. But there were signs last night that some of the oil companies would put up much stiffer resistance to a second price increase.

Safety review urged for Sizewell reactor inquiry

FINANCIAL TIMES REPORTER

THE NUCLEAR Installations Inspectorate was urged yesterday to publish as soon as possible its review of the Central Electricity Generating Board's safety case for the proposed pressurised water nuclear reactor at Sizewell in Suffolk.

Sir Frank Layfield, QC, the inspector at next year's public inquiry, told a pre-inquiry meeting that publication was of "considerable urgency" so that objectors would have time to undertake their studies.

Objectors were concerned that the review would be based on a draft safety case, published by the CEGB in December 1981, and not the final version, although it would be updated.

Sir Frank said he accepted the "surprise" at there being two versions of the pre-construction safety case.

Mr David Holgate, for the NII, said the CEGB had published its safety case late but gave an assurance that the review would be published by July 15.

Yesterday's session in the Snape Maltings concert hall heard views on the procedures which should be followed in the inquiry which begins at Snape on January 11 next year.

Mr Peter Brady, representing Northumberland County Council, sought an assurance from the Department of Energy that the scope of future inquiries would not be limited by the Sizewell hearing.

He said the council was faced with the prospect of a nuclear power station application but was worried, in view of a Department of Energy directive that future inquiries would be "site specific" and not open to matters of principle, that national issues could not again be raised.

Mr Richard Lines, for the Department of Energy, said he could give no assurance about the scope of any future inquiry.

Mr Christopher Symons, for the Department of the Environment, said the department would not be willing to answer questions on the merits of Government policy. Mr Lines said the Department of Energy would be willing to do so.

Mr Robin Grove-White, director of the Council for the Protection of Rural England said: "There is a colossal imbalance in resources available to both sides in what is undoubtedly one of the most important public inquiries the country has ever seen."

The three-day pre-inquiry meeting resumes today.

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Steady increase in airports' passenger traffic

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PASSENGER traffic handled at the seven airports owned by the British Airports Authority continued to expand during April, the ninth consecutive month (excluding December) in which increases have been recorded.

During April, total traffic was up 2.8 per cent over April last year, at 3.54m passengers, while for the 12 months to end April it was up 1.1 per cent to over 43m passengers. The airports involved are Heathrow, Gatwick, Stansted, Prestwick, Glasgow, Edinburgh and Aberdeen.

The authority believes that this slow but consistent expansion in recent months indicates that the air transport recession may be over, and that better times lie ahead.

Heathrow's traffic grew in April by just under 1 per cent over April last year, but Gatwick's traffic grew by 7.5 per cent and that at Stansted by 34.5 per cent.

Outside London and the south-east, the only airport to show a decline in April was Prestwick, down by 43.1 per cent to 11,900 passengers due to the absence of Laker traffic—following that airline's collapse in February — and the withdrawal of some British Airways traffic.

Cargo traffic, however, continues to be depressed. During April, the total tonnage of cargo handled at the authority's airports fell by 5.5 per cent compared with April a year ago, while for the 12 months to end-April the total was down by 2.3 per cent to 615,500 tonnes.

Supporting the authority's belief that the recession in air transport may be over is the fact that the number of aircraft movements also increased in April, by 2.9 per cent to 45,500, although for the 12 months to end-April they were still 1.8 per cent below the level of the previous year.

But the authority admits that the signs of improvement are slender and that much depends upon how traffic develops during the coming months.

The indications are that the airlines' forward bookings are stronger than at this time last year, but again the margin is narrow, and the airlines are only cautiously optimistic of an improvement in their finances.

Making factories from the ruin of old farm buildings

Lorne Barling describes a growing trend in rural industry

THE CONVERSION of old farm buildings into premises for light industry has gathered pace since the Department of the Environment instructed local authorities to look more favourably on planning applications of this kind.

The trend has been given added impetus by an announcement from Prince Charles that the Duchy of Cornwall is to finance a number of such conversions on its estates to help create employment in rural areas.

The main promoter of the scheme, the Council for Small Industries in Rural Areas (Cosira), admits that landowners still face obstacles in turning derelict buildings into revenue earning property.

Landowners are sometimes wary of selling or letting property on farms, for fear of the local disruption which light industry could cause.

According to Mr Anthony Scott, chief executive of Cosira, landlords can avoid the cost of repairing unwanted but potentially useful buildings, and at the same time help to create jobs.

"There is a serious shortage of industrial work in many rural areas, particularly in the extreme north and south of England, and these conversions often provide ideal premises for small concerns," he said.

Other buildings being refurbished include old chapels and schools, disused mills and creameries, and abandoned railway stations and military establishments.

Since the end of 1980, when the department began to encourage these changes of use, there has been increasing demand from small electronics companies for rural premises, although most are being used for simple manufacturing.

Mr Scott said building a new factory was difficult in most country areas because of planning restrictions. In any case, he added, conversion is often cheaper.

He admitted, however, that the provision of services such as mains drainage, three-phase electricity and access roads was often difficult and sometimes expensive.

Cosira, based in Salisbury, therefore offers advice and money to land-owners and potential tenants. It has loan commitments of around £20m on its projects. However, banks are seen as the main source of finance.

Cosira has recently published a guide to the tax and rates implications of conversion, the tenure considerations and sources of financial assistance.

The council's "advice package, which is usually free, includes the expert assessment of buildings, drawings and estimates, introductions to architects and contact with potential purchasers or tenants.

Landowners are generally encouraged by Cosira to sell renovated property, since this provides small companies with an asset. Long leases are sometimes preferred to allow the landlord to retain ultimate control.

Mr Scott said more landowners would become involved in the scheme if they were fully aware of the financial assistance available from sources such as banks, the Industrial and Commercial Finance Corporation, the Development Commission (Cosira's parent agency), insurance companies and pension funds.

"While a lot of landowners may appear to be wealthy on paper, they often have cash flow problems and the income from these buildings is usually very welcome," he said.

Job creation in rural areas is also seen as a small but worthwhile way of reducing the flow of unemployed people into towns and cities, while the improvement of derelict buildings eliminates eyesores in the countryside.

Cosira has recently started a competition for the most successful conversions in various parts of the country. The first prizes were recently awarded by Prince Charles at his Highgrove Estate, where conversions are taking place.

Regional awards of up to £1,000 will soon be made in other parts of the country.

Regional enterprise agencies backed

BY LORNE BARLING

MR TOM KING, the Minister for Local Government, yesterday encouraged the establishment of more regional enterprise agencies as a means to combat unemployment and the recession.

Speaking at Swindon, at the launch of the Swindon Enterprise Trusts which is backed by about 30 larger local companies, he said that 50 such agencies had been set up in Britain and a further 50 were being planned.

"When small companies move into new premises, they face a number of problems—technical, legal and financial. Any one of these can be a stumbling block and they therefore need all the help they can get," he said.

Mr King welcomed the initiative at Swindon, suggesting that larger companies had a wider responsibility to the prosperity of their area. Companies could no longer cut themselves off from the activities of local government. Attitudes were changing and companies needed to be involved in local problems.

The trust's steering committee includes representatives of industry, the clearing banks, the Confederation of British Industry and trade unions. It is chaired by Mr Alan Bentley, chief executive of the investment division of Burmah Oil.

Post offices to handle Pru travel cover

BY ERIC SHORT

THE PRUDENTIAL Assurance Company has linked up with the National Girobank to sell travel insurance over the counter at Post Offices.

The plan is being test-marketed through a pilot scheme in the Midlands. Under this scheme people requiring travel insurance will be able to obtain cover in the 1,206 Post Offices in the area. It will also be available at selected Post Offices offering bureau de change facilities.

Customers using the scheme simply fill in a Girobank cash form, hand the premiums over the counter, have the counterfoil stamped and are immediately covered. Alternatively, a Girobank holder fills in his account number, mails the form and is debited in the normal way.

The Pru's travel insurance contract provides cover against cancellation of holiday, medical expenses—including accommodation for relatives—loss of baggage and other mishaps that may occur on holiday. The Pru has just raised the level of medical expenses cover from £50,000 to £250,000 to meet the continuing rise in the cost of treatment in many parts of the world, especially Switzerland and North America.

Farnborough air show will be the biggest yet

BY MICHAEL DONNE

THIS YEAR'S Farnborough air show, at the Royal Aircraft Establishment in Hampshire from September 5 to 12, will be the biggest year, commemorating the 50th anniversary of the first such aerospace industry display at Hendon in 1932.

The Society of British Aerospace Companies says the display space has been expanded into a third large exhibition hall which is already fully booked. There is a waiting list of companies for any space that may become available.

Over 400 companies from the world's aerospace industries will be participating and it is expected that there will be over 50,000 guests from those industries, governments, civil services and military establishments.

More than 200,000 members of the public are expected to flock in on the three public days, September 10 to 12, the first five days (September 5 to 9) being reserved for guests.

Among new aircraft on show this year will be the Rolls-Royce powered Boeing 757, along with the Boeing 767 which uses U.S. engines; the British Aerospace 146 feeder line and Jetstream 31 commuter airliner; the U.S. Rockwell B-1 supersonic bomber prototype; and the new UK Skyship 500 Airship.

Shipyards chairman urges more Government backing

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE GOVERNMENT was warned yesterday that national shipbuilding capability could wither away without proper recognition and support.

Without mentioning the Falklands crisis, Mr Robert Atkinson, the chairman of British Shipbuilders, made it clear that he expected the Government to put its full weight behind the industry.

"Shipbuilding, like shipping, is a strategic industry," he said at the naming on the Thames of the Patricia, a new £9m flagship for Trinity House.

Britain, as an island nation, had always been, and must continue to be, a strong maritime nation, he said.

He hoped the Government would continue to recognise this national capability and the part the shipbuilding industry played in Britain's prosperity and protection.

British Shipbuilders, nationalised in 1977, groups the UK's major warship and merchant yards. Mr Atkinson warned last year that the shift in the national defence strategy from surface ships to submarines could put several thousand jobs at risk within BS.

BS is still losing money, but hopes to break even within a few years. For its part, the Government wants the corporation to reduce its dependence on subsidies.

"A shipbuilding capability is not something that can be used intermittently," said Mr Atkinson. "To be available, it needs constant use, it needs constant improvement and investment in men and materials."

He added: "If that capability is allowed to disperse, it will be lost to the nation and therefore unavailable in times of national emergency."

Railways face crisis over productivity delay

A BR review describes how efficiency proposals were shunted into a siding, reports Philip Bassett

BRITISH RAIL is poised to send to local train drivers' depots new shift arrangements aimed at improving efficiency by means of more variable working.

The Associated Society of Locomotive Engineers and Firemen, the drivers' union, is ready to resist the new rosters, with their shifts ranging from seven to nine hours. BR seems to be on the brink of another crisis in relations with its unions over one of the longest-running sagas in the nationalised industries—the argument about how to improve railway performance.

BR has told its unions that the delayed 5 per cent pay rise it has offered from September will not be paid unless it reaches agreement by July 30 on flexible rostering and the other productivity improvements it is seeking.

Senior BR officials say that, if the unions were willing to agree these changes, eight weeks was a reasonable timetable. However, they acknowledge that the prospect of agreement is slight, and that the stage is therefore set for further trouble.

Many of the ideas BR is pursuing have a long history on the railways. For instance, BR was talking about the cross-union "trainman" concept in the late 1960s.

However, in a new review of progress—or lack of it—on railway productivity, BR dates the "current struggle to achieve change in working practices and produce a more efficient railway" to November 1979, when the BR Board presented to its unions a far-reaching document on railway productivity, entitled "Challenge of the 80s."

In retrospect, this can be seen as considerably over-ambitious. The railway unions only really began to take note of its proposals when the annual wage award came round five months later. Then, BR claimed the timetable of productivity changes, concluded as part of a 20 per cent pay deal, as a major step forward.

Change there has been. BR has pulled out of the loss-making collection and delivery of parcels. It has cut the workforce in marshalling yards and has made savings in administrative staffing.

These, though, are what Sir Peter Parker, the BR chairman, calls negative productivity—improving costs by means of withdrawals—rather than what he terms positive productivity.

Into this area falls flexible rostering and other major changes in working practices. The BR review states: "Despite the clear commitments given to continue negotiations, no real progress was made on any of the items to change working practices by the time the 1981 pay negotiations started."

Strike action

Since these negotiations, BR has had long talks with Aslef on flexible rostering, it secured an agreement with the National Union of Railwaymen on the issue, went twice for help on it to the Advisory, Conciliation and Arbitration Service, suffered 17 days of seriously-damaging strike action over it, and finally took it through its own negotiating procedure.

The result was the McCarthy report, favourable to BR, which it is now trying to implement.

The 1982 pay round has now arrived, and BR is yet again tying negotiations to the same improvements, the six key items identified as crucial by BR out of the whole programme of the "Challenge of the 80s" document.

The BR review lists the position on the 1981 productivity initiatives which rose out of the first round of Acas discussions last year. As one senior BR official puts it, the score is 1½ out of six—the half mark is given for flexible rostering, by no means universally accepted in the NUR, let alone Aslef.

Sir Peter Parker, still seeking "positive" productivity improvements.

The review sees the current position on the six items as follows:

● Open stations. "No problems have been encountered on this initiative." In fact, this is BR's only success out of the six items. Two pilot schemes are in operation using automatic machinery and the collection of fares on trains. A third scheme is due to start in eastern Scotland later this month.

● Flexible rostering. The NUR and the white-collar Transport Salaried Staffs' Association have both agreed to this, though militant sections of the NUR's guards membership—the only section of the NUR directly affected by it—are opposed to it and have taken industrial action against it. BR has simply got nowhere with Aslef on the issue.

● Single manning of traction units. In non-BR language, this means essentially breaking the long-standing agreement for double manning by train drivers in certain specified and widespread circumstances.

BR says, perhaps over-confidently: "Negotiations were delayed by the failure to reach agreement with Aslef over flexible rostering." It points to the fact that the McCarthy tribunal went outside its terms of reference to recommend that Aslef should agree to single manning of shifts up to nine hours.

Aslef, faced in this with a much more serious threat to its members and its continued existence as a union from this than from flexible rostering, has not even looked at the issue, and seems unlikely to.

'Changing role'

● Manning of passenger trains. BR has proposed the abandonment of guards on trains. The NUR, which represents guards, is prepared to talk about a "changed role" for the guard, but not for the abolition of the post, and both the NUR and Aslef are opposing taking part in a joint working party on the issue.

This heading includes the Bedford-St Pancras project designed to be the first one-man operated line in the railway network, equipped with high-technology electrification, signalling and even, for the first time on BR, radio between the driver and signalman.

The NUR's steadfast opposition to the project has meant that new trains for the line are standing idle, to the fury of anti-rail Conservatives and others. Within BR the issue is now referred to as the "Bed-pan" problem.

● Manning of non-passenger trains. BR is looking for two or three pilot schemes for the operation of freight trains without guards. BR and the NUR have looked at proposals for a pilot scheme running from Port Talbot to Llanwern, and the NUR is still considering it. BR cannot be hopeful of NUR co-operation on the basis of its refusal to agree to the board's proposals on passenger services.

● The trainman concept. This involves a proposal for a new cross-union route through which staff could rise to become train drivers. At present, the lines of demarcation—or lines of promotion, in BR terms—are rigidly defined between the unions.

The NUR, whose members stand to gain most from the proposal, is keen and has submitted its own plans, but as BR notes: "Discussion has been delayed since then by the dispute earlier this year."

What characterises the trade union response to all these six points is the readiness of individual unions to agree to changes which do not affect their members, and the refusal to do so on changes which do.

The changes in working practices BR is seeking are complex, and agreement by the specified deadline is at the very best unlikely. Lord McCarthy said in his report that the inquiry felt it "essential to the future of the railways that progress is made on the remaining items."

However, the stage seems set for his accompanying advice to be ignored. "It is also essential that these extremely important and far-reaching issues are approached in a spirit of realism, and with a willingness to find the basis for agreement rather than confrontation," he said.

The next few weeks should test that advice.

Re-election call for top officials of Aslef

By Philip Bassett, Labour Correspondent

SENIOR OFFICIALS of the train drivers' union are to face re-election for the first time in the union's history—a move which could harden the union's already tough resistance to British Rail's proposals for more flexible work rostering.

Representatives of the nominally 27,000-strong membership of the Associated Society of Locomotive Engineers and Firemen (Aslef) have voted that the two senior full-time posts in the union be subject to five-yearly re-election. At present all elected officials serve until retirement.

The two posts of general secretary and assistant general secretary which are covered by the unpublicised resolution of the union's annual conference are held by Mr Ray Buckton and Mr Don Pullen.

However, delegates stipulated that the new re-election procedures should not be applied in the cases of Mr Buckton and Mr Pullen until their respective retirements, both due in about five years.

BR officials believe that the change could have an effect on Aslef's attitudes towards industrial relations, with office-holders up for re-election keen to show no softening of any position, and as yet unelected candidates eager to prove themselves.

The changes, which follow last year's conference decision for the three-yearly re-election of the union's regional secretaries, will be a fillip to the campaign of left-wingers in the trade unions to make their full-time officials more accountable to union memberships.

Council deals with private contractors 'will push up prices'

BY JOHN LLOYD, LABOUR EDITOR

THE PRIVATISATION of publicly-owned industry and local authority services will lower standards and raise prices, according to a report published today by the union-sponsored Labour Research Department.

The report claims that in four areas of privatisation—North Sea oil, British Telecommunications, the health service and local authority cleansing—the advertised benefits of lower costs and increased efficiencies are, or could be, non-existent.

The main claims by the department are that long-term planning and investment programmes will be sacrified; working conditions will worsen; and consumers may not benefit from cheaper prices.

While a number of Conservative councils, as Southend, Eastbourne, North Norfolk and Wandsworth, have given out refuse collection contracts, more had not done so after gaining productivity improvements from existing staff.

"Many of the savings claimed are illusory or exaggerated, and that a privatisation does not automatically save ratepayers' money. It does of course mean more profits for the companies providing the service."

"In the National Health Service, private health care can provide a 'distorted and expensive' form of health care; it soaks up scarce resources; and the advantages are more apparent than real," the report says.

In telecommunications, the report says that hiving off profitable parts of the existing public network to private competition will mean domestic bills going up by 50 per cent; the loss-making but socially necessary services will be jeopardised; and the investment strength of British Telecommunications will be threatened.

Public or Private: the Case against Privatisation; Labour Research Department, 78 Blackfriars Road, London SE1 8HF: 70p.

Battle of Dustcarts, Page 23

Call for biotechnology aid

BY OUR LABOUR EDITOR

THE GOVERNMENT should step up public investment in biotechnology, according to the Association of Scientific, Technical and Managerial Staffs.

Biotechnology—the development of new products from micro-organisms — is being studied by the Commons Select Committee on Science and Education, which will issue an interim report shortly.

In evidence to the committee, ASTMS says the development of the technology is "vital to the future prosperity and wellbeing of Britain," and that the Government must invest in research and development, take a public stake in the industry and grant tax incentives to companies working in the field.

At the moment, we still have the expertise needed to develop and exploit biotechnology, "but we are at risk of losing it to our competitors because of insufficient investment, poor facilities and inadequate career prospects for our trained personnel."

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Impressive livery. Impeccable pedigree. From £5,160.*

In its day, the concept of the 1600E Cortina was faultless.

It was a roomy, practical, sensible car with outstanding value for money, but it was also something else.

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How little things change, yet how much. Because here in celebration of the Cortina legend is the ultimate special edition; the Cortina Crusader.

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Refinements like Durham and Velour fabric trimmed seats with fully adjustable head restraints. Wood veneer door caps, a delayed action courtesy light, and a rear seat centre armrest make the interior feel like that of a much more expensive car. The fascia too is well equipped. Through the four spoke steering wheel you'll see a quartz clock, a tripmeter, an instrument illumination rheostat, and the whole fascia has a wood grain finish to it.

Below the fascia, Ford have fitted a push-button radio in a neat centre console. And underfoot, thick cut pile carpet, again from the Ghia.

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The colours, Titan Blue with Strato Silver, Crystal Green with Strato Silver, Dark Rio Brown with Champagne Gold and the Cardinal Red with Strato Silver you see here, are highlighted by a set of sports road wheels and separated by a chunky, black bodyside moulding.

As a final touch of distinction, there are two coach lines running the whole length of the car and across the centre panel of the bonnet.

THE CRUSADE FOR VALUE.

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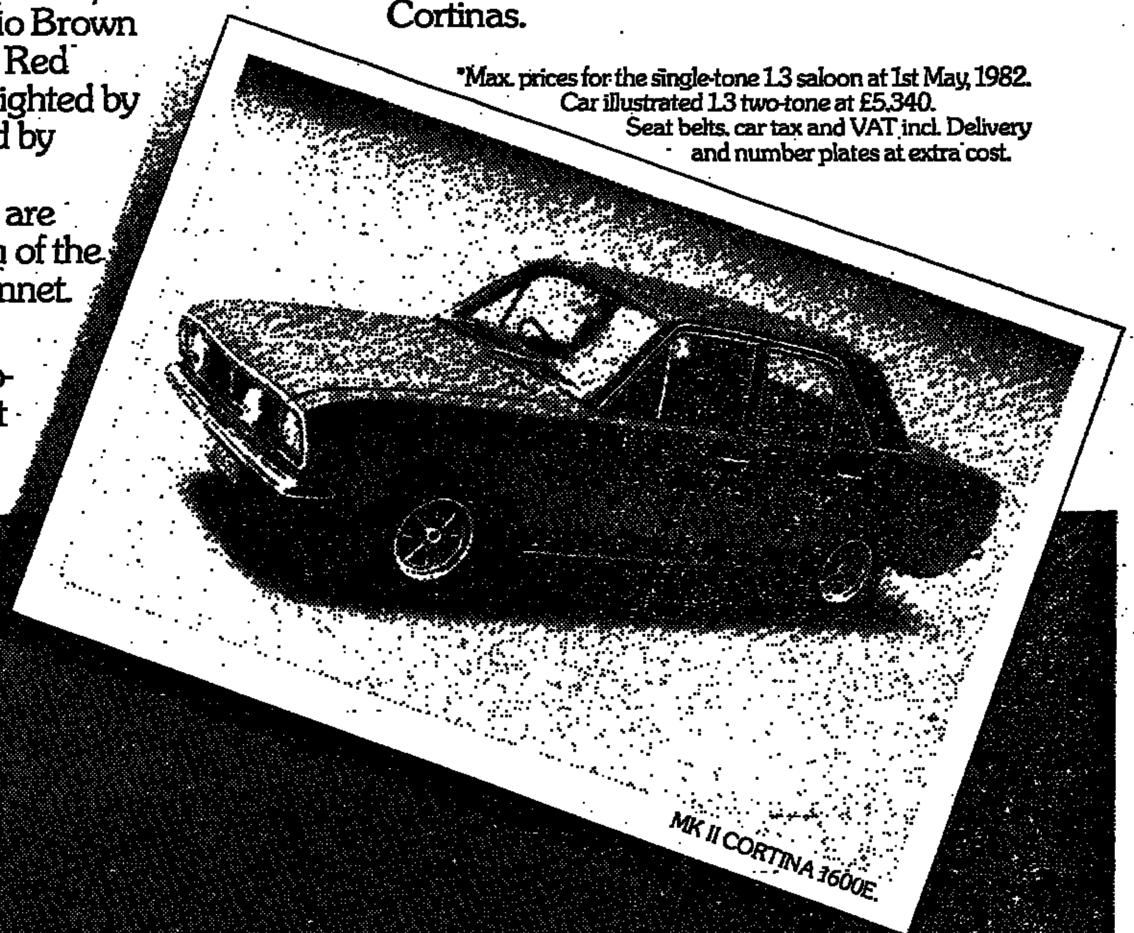
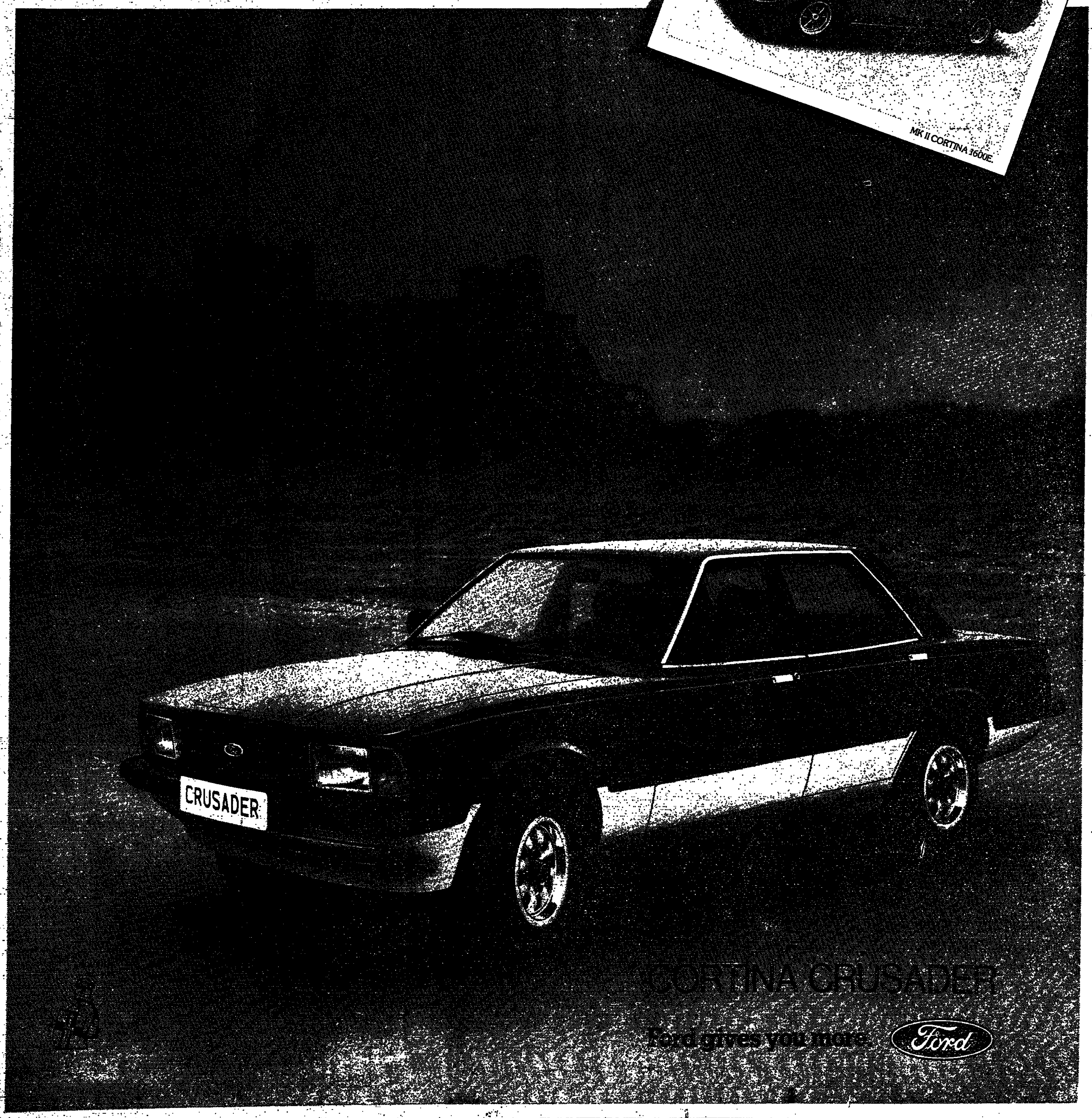
With the Crusader, you can now buy a unique and highly specified Cortina for around the price of a Cortina L.

Indeed, the single tone versions start at an incredibly low £5160.* And that's a great deal more value than you'd expect from any other manufacturer.

But no real surprise, after all... they are Cortinas.

*Max. prices for the single-tone 1.3 saloon at 1st May, 1982. Car illustrated 1.3 two-tone at £5,340. Seat belts, car tax and VAT incl. Delivery and number plates at extra cost.





TECHNOLOGY

EDITED BY ALAN CANE

Eukotec aims to turn the nail manufacturing industry on its head

BY IAN RODGER in Basle

WHEN IT comes to nails, technology moves rather slowly. The standard nail-making machine, which snips steel wire into short blanks and then bashes one end of the blank into shape of the head, was patented in 1911.

This week, a new machine that many see as the first major advance in nail-making technology since that time went on sale at the International Wire Exhibition here.

Double output

The machine, developed over the past seven years by Eukotec, a subsidiary of the Danish nail manufacturer, NKT, can produce roughly twice as many nails as a conventional machine.

"It is a revolution," Mr Albert Petit, an engineer with Bekaert-Cockerill, the Belgian nail manufacturing group said as he watched the Enkotec machine spitting out nails at the rate of 1,000 per minute.

If so, it is certainly a welcome revolution. Nail makers throughout Europe and North America have been suffering badly in the past few years from depressed demand and a surge of imports from Eastern Europe.

Consumption of nails in the EEC has dropped from about 1m tonnes a year in the early 1970s to some 700,000 tonnes. And in the past three or four years, nail imports have taken about 10 per cent of European market.

"Polish products are being sold in Europe cheaper than I can buy raw material," Mr Petit said.

Steel wire accounts for about 60 to 70 per cent of the cost of producing a nail and Mr Petit believes the Enkotec machine can cut the remaining costs by about half.

Mr Jack Klein, a senior vice-president of Ivaco, a Canadian company that is the largest nail manufacturer in the world, sees the machine as a lifeline for Western producers: "This machine will allow people who want to stay in the business—and a lot don't—to do so," he said.

Ivaco is buying the first 20 Enkotec machines off the assembly line and has invested in a joint venture with the Danish producer to market them in North America.

The main attraction of the Enkotec machine, apart from its speed, is that it produces a nail that is clean, smooth and ready for packaging or collating into magazines for use in nail guns.

Nails emerging from a conventional machine are greasy and frequently flawed with protruding bits of metal, thus necessitating tumbling and cleaning steps during which some nails become bent and must be discarded.

The Enkotec machine avoids these problems because the head is formed by squashing the tip of the blank between two rollers rather than hammering it. A pleasant side-effect is significantly less noise, a claimed 74 dB(A) compared to 96 dB(A) on conventional machines.

The initial model, which is about the size of a standard office copier, makes common nails in lengths from 45 mm to 90 mm, which covers about two thirds of the overall market.

The company plans to expand into larger nails and into square and helical thread designs within the next year or so and is also thinking about making rivets and screw blanks.

The Enkotec machine was invented as a result of a meeting between NKT, which was looking for a cheaper way to make nails, and Mr Ove Nielsen, a University of Copenhagen engineering student looking for a PhD project. It has cost about $3m to develop and is being sold in European markets for about $50,000, including a $5,000 set of tools.

Although the market for nail-making machines is depressed, Mr Poul P. Rasmussen, managing director, expects the company to break even within three years.

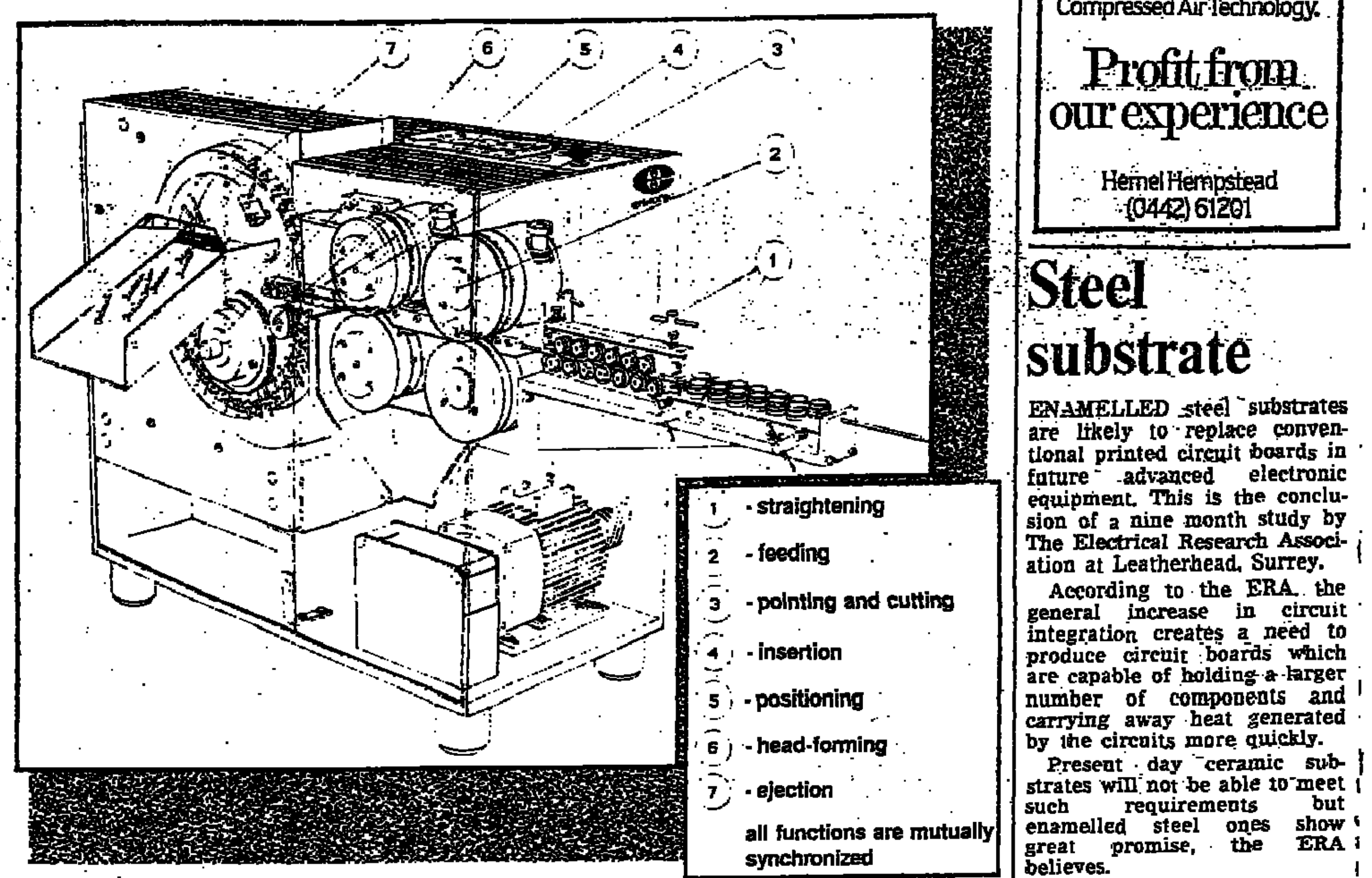
Mr Rasmussen estimates the world market for nail-making machines at 2,000 a year and is aiming to supply no fewer than half of them. Already, he claims to have orders for "a few hundred" and expects to deliver them by the beginning of next year.

Conservation

The tight fraternity of manufacturers of conventional nail-making machines does not share Enkotec's optimism.

"Nail manufacturers are very conservative people," an official of Wafios Maschinenfabrik, the German sector leader, said. "We don't think this machine has been proven yet."

Mr Mario Vitari of Abbondio Vitari, of Italy, doubted that people would be willing to pay $50,000 for a nail-making machine.



"It may be faster, but you can buy two and a half of our machines for one of theirs. The market is very bad and no one wants to pay that kind of money. At least, that is what the customers are telling us."

Glader Manufacturing Services of Chicago, a major U.S. manufacturer, was making its first-ever appearance at a European trade show. And it brought along one answer to the Enkotec challenge, a conventional machine that takes two wire feeds instead of one. The result is an output of about the same level as Enkotec—although not as wide a range of nail sizes—for $42,000.

Mr Bob Glader, president, wonders whether the Enkotec's precision technology will turn out to be suitable for high volume activity. But the Danish company says tooling has to be changed only once every 4,000 hours compared to about once a week on a conventional machine.

Steel substrate

ENAMELLED steel substrates are likely to replace conventional printed circuit boards in future advanced electronic equipment. This is the conclusion of a nine month study by The Electrical Research Association at Leatherhead, Surrey.

According to the ERA, the general increase in circuit integration creates a need to produce circuit boards which are capable of holding a larger number of components and carrying away heat generated by the circuits more quickly.

Present day ceramic substrates will not be able to meet such requirements but enamelled steel ones show great promise, the ERA believes.

The steel core of the substrate carries the heat away while the glass coating can withstand high temperatures. The ERA hopes to carry out further work on suitable techniques for connecting components to the new substrates. More information on Leatherhead 374151.

A breath of air on the coalface prevents explosions

AN IMPROVED coal faced ventilation system to reduce and possibly eliminate risks of methane gas explosions underground during coal cutting has been developed by the National Coal Board's South Wales Mining engineers.

The system involves injecting water under pressure through the coal face shearer cutting drum. This sets up an air flow around the picks to disperse fire-damp gasses by forcing air through and around the cutting drum in excess of 250 cubic ft per minute. The atmosphere in the vicinity of the machine is changed at least 200 times every minute," the Board claims.

Mr Neville Lewis, NCB's deputy chief mining engineer, has been so impressed at the success of the improved system in trials at Abernant colliery, and Paydawe, that six more have already been ordered for coal cutting machines in other parts of the South Wales coalfield.

The system consists of a box containing some £10,000 of engineering technology which can be fitted to existing shearing machines

As a further stage in their research efforts, South Wales mining engineers are now examining an effective monitoring system so that shearer operators can be sure the ventilator system is working

ROBIN REEVES

Maintaining tolerances on the shop floor

AS COMPUTER controlled design, machining centres, manufacturing systems, robotics and the other technical paraphernalia of an industrial revolution gain momentum, the need for a shop floor automatic inspection system to verify that tolerances are being maintained becomes more urgent.

Most, if not all, crucial inspection is done off-station in a separate room. This is generally because of the nature of the equipment and the need to put it in a controlled environment.

So if you can plonk a measuring machine on the shop floor at different stages of the production process and need only to train ordinary workers briefly—for about a quarter of an hour—it should save a deal of money in reducing rejects and making evident the link between sound performance, by machines as well as men, and reliability and satisfied customers.

Filling the gap

Granite tables are much used in metrology and can hardly be integrated into a production line. The gap has been filled by a four-dimensional programmable automatic gauge (PAG) from Imperial Prima, of Turin, a subsidiary of Progetti, the group of electronic and mechanical engineers which put the electronics into the Fiat robots and has since met other challenges concerned with flexible manufacturing systems.

There are three machines in the PAG range giving measuring stroke movements up to 450 mm in the Z axis, 750 mm in the Y axis and 1,000 mm in the X axis with a resolution of 0.001 mm on all three.

There is an accuracy of plus or minus 0.003 mm on each axis and the traverse between each measurement is 20m/min. Components up to 100 kg can be accommodated.

Inspecting a machined gearbox casting, for instance, taking in 145 data points, takes 5½ minutes.

The machine is housed in an air conditioned cabinet to enable it to sit in a busy machine shop, perhaps beside a CNC or DNC machining cell or, if volume production is involved, at the end of a transfer line.

The component to be measured does not have to be accurately positioned and several different components can be measured in sequence because each pallet or fixture triggers the correct measuring programme.

All the operator has to do, besides loading and unloading, is to learn which button to press to give a quick "go, no go" response.

A VDU can display design dimensions, tolerance and errors for any or all dimensions checked or just those out of tolerance, and a print out can also be provided.

Fuller details of the PAG can be obtained from LK Tool, East Midlands Airport, Castle Donington, Derby DE7 2SA (0332 811349) which is marketing it in the UK.

At the launch the other day heads in the aerospace, motor and general engineering industries put the savings the PAG would produce at 70-80 per cent.

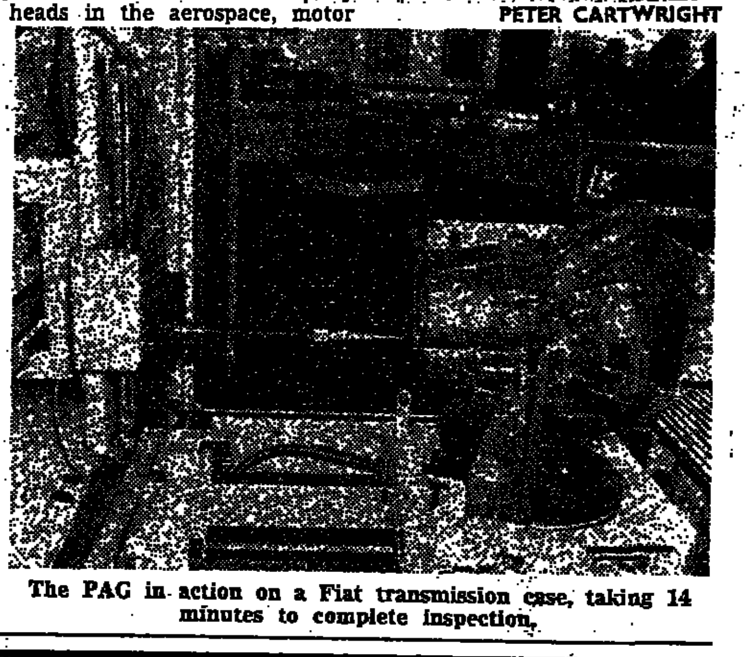
LK Tool has made a world reputation for itself in measuring systems—they are in use at Rolls-Royce, NASA and in Japan—and is also introducing the Mini Micro.

This is claimed to be the first inspection system to enable a single axis machine to be used in conjunction with the prism box cube for checking hole centre distances in two axes without specific component alignment.

Calibrator

Another new machine is the quality design service (QDS) automatic calibrator which will check gauges to MoD and BSC specifications more quickly and simply than conventional methods.

PETER CARTWRIGHT

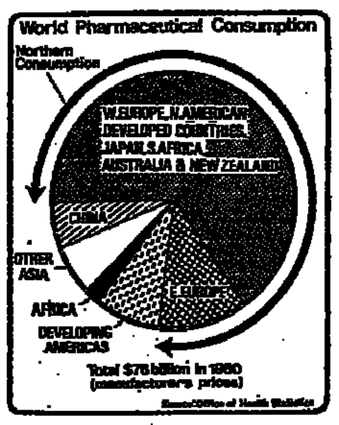


The PAG in action on a Fiat transmission case, taking 14 minutes to complete inspection.

FINANCIAL TIMES SURVEY
Wednesday June 2, 1982

PHARMACEUTICALS

The pharmaceutical industry has passed through the recession almost unscathed. The world market for its products is now estimated to be worth around $90bn and to be growing at six to eight per cent a year.



A pharmaceutical engineer setting up a "blister" packing machine prior to a production run.

IN THIS SURVEY

Industry grows from strength to strength

BY SUE CAMERON

AT A TIME when so many major industries are still being torn apart on the rack of recession, the companies that originate and produce the world's key medicines have every reason to be confident about their current performance and prospects.

The pharmaceuticals industry has passed through the recession almost unscathed, such is the nature of its business. People continue to fall ill and to need drugs—no matter how harsh the economic climate—and the industry has therefore been able to maintain and often to improve its profitability.

At the same time, the past few years have brought a slight easing of the regulatory stranglehold on new drugs—a hold that was causing increasing concern in many pharmaceuticals companies. While the cost of researching and developing a new drug has risen dramatically over the past decade, many experts believe the industry could soon be on the verge of a series of important new advances.

But this is not to suggest that the industry has no problems. Costs are still going up, new products are taking longer to emerge from the research stage, governments are enforcing strict price controls in some major markets, and there are moves afoot to introduce strict product liability laws and—in Britain—to increase the use of unbranded, generic drugs.

Despite the restraints and difficulties, however, the world market for pharmaceuticals is estimated to be worth about $90bn and to be growing at between 6 per cent and 8 per cent a year.

The biggest single market is, naturally, the U.S., followed by Japan and West Germany. Britain ranks about sixth in size. In 1980 UK pharmaceuticals sales were valued at around $2.5bn. Ironically, the seventh largest drug market in 1980 was Argentina, with sales estimated at some $2bn to a population less than half the size of Britain's.

Regulations

A major headache for the industry in the past few years has been the increase in regulations governing the safety testing of new drugs and the granting of marketing licences. The regulatory burden was probably greatest in the largest market—the U.S.

The industry is not against stringent safety testing for drugs as such. Apart from concern for potential patients, the sudden realisation that a particular drug has damaging side-effects can lower the manufacturer's standing in the eyes of doctors and so hit sales of all its products.

But pharmaceuticals companies believe that some regulations serve little purpose, merely increasing development costs without actually improving safety standards. In the U.S. in particular, there was a feeling that the Food and Drug Administration was interpreting the rules governing new drugs with unnecessary strictness.

There were claims that the FDA was simply sitting on applications for marketing licences for new drugs without having—or giving—any good reason for doing so. But the U.S. now seems to be taking a more relaxed attitude and recently a number of companies have been given the go-ahead to launch new drugs on the American market.

Several reasons for the marginally more liberal approach of the U.S. authorities are likely. One is possibly the change in the Administration. Another is the pressure for speedier decisions that has come from the pharmaceuticals industry itself.

A third factor has almost certainly been the realisation that some patients were suffering unnecessarily because a number of new drugs that had been given product licences in other countries were simply not available in the U.S.

Meanwhile, the British Government has acknowledged that its regulations on clinical trials—on human patients—had become "unnecessarily rigorous and inflexible." The rules have now been changed and what is effectively a negative clearance system has been brought in.

As a result, companies are no longer forced to carry out clinical trials abroad in order to minimise the time required to develop and test a new drug.

But it still takes many years to bring a new medicine to the market. Companies have to take out patents on their new drugs at a very early stage so as to safeguard their discoveries. A further eight to 12 years' development work will then be needed before the drug can be made available to patients.

The short duration of effective patents for drugs is one of the pharmaceuticals industry's most constant complaints. There have been repeated calls for either longer patents or more effctive protection of patents. Manufacturers argue that because so much time is needed to develop a drug after it has been patented they do not have enough time to recoup their costs during the eight to 12 years—on average—when the new medicine is both protected and commercially available.

In most of the world's major pharmaceuticals markets patents last for 20 years. The companies point out that while manufacturers of other products can normally enjoy a full 20 years of protection the makers of drugs cannot.

Examples

Last year the UK pharmaceuticals sector working party, which operates under the aegis of the National Economic Development Office, published a comparative study of the effective patent periods of drugs and other products. To give one example, the Exide maintenance-free battery was patented in February 1979 and on the UK market in October 1980. So it will enjoy an effective patent life of almost 19 years.

But Zinacef, one of Glaxo's cephalosporin antibiotics, was patented in December 1972 but not launched on the market until 1978—giving an effective patent life of only 14 years. Some other drugs have fared far worse than Zinacef.

Boots's antirheumatic drug Froben, for example, was patented in 1965 but could not be sold to the public until 1977. When the drug was patented, protection in the UK was given for only 16 years, which meant that Froben had an effective patent life of less than five years. Even under the present 20-year patent period system—introduced in Britain in 1977—it would have had only nine years of protected sales.

But whatever the rights and wrongs of the case, the pharmaceuticals industry's pleas for longer effective patent periods appear to be falling on largely deaf ears, largely because governments can point to the continuing overall profitability of the industry.

This could change, however. New research methods which involve work inside the human cell rather than the old system of screening thousands of chemical compounds to see if any of them could be used as a medicine are certain to mean even longer development times for new drugs.

It will also mean shorter effective patent periods—and higher research costs. There may well come a point, therefore, when governments start to relent and allow longer effective patent periods for new drugs.

The cost of developing a new drug today can be as high as £50m, although the average figure is probably nearer £35m; and there is always the risk that a company will spend vast sums on research and development only to find that the drug has to be abandoned at the final stage—probably for safety reasons.

One recent example of this was Fisons' anti-allergy drug brand-named Proxicromil, on which the company had spent an estimated £12m before finding it was unsafe.

On the other hand, one or two important advances in pharmaceuticals research have proved to be bonanzas for a few drug companies. There have perhaps been three drugs that have brought huge profits to their producers.

The first was tetracyclin, an antibiotic which brought rich rewards to Pfizer in the 1950s. Then came Valium, the Hoffmann-la Roche tranquiliser. The most recent record-breaker has been the Smith Kline anti-ulcer drug Tagamet.

TOP TEN PHARMACEUTICAL COMPANIES

Ranking 1980	('79)	Company	Sales $m	Change %	Profit $m	Change %
1	(1)	Hoechst, West Germany	2,413	+11.8	n.a.	—
2	(3)	Merck, U.S.	2,287	+14.1	607	+ 8.7
3	(4)	American Home Products	2,193	+13.4	603	+11.6
4	(2)	Bayer, West Germany	2,182	+19.4	n.a.	—
5	(5)	Warner-Lambert, U.S.	1,926	+11.1	271	+ 1.1
6	(7)	Bristol-Myers, U.S.	1,905	+19.6	379	+25.9
7	(6)	Ciba-Geigy, Switzerland	1,805	+17.7	n.a.	—
8	(9)	Pfizer, U.S.	1,644	+14.9	388	+20.0
9	(8)	Roche-Sapac, Switzerland	1,461	+ 8.2	130	+ 5.7
10	(12)	Lilly, Eli, U.S.	1,426	+16.1	330	—

Source: Mike Hyde's Chemical Insight newsletter.

Critics claim that some drug development costs are exaggerated

Continuing debate over high cost of development

TEN YEARS ago the average cost of researching and developing a new drug to the point where it could be launched on the market was around £5m. Today the figure can be as high as £50m.

Such statistics are beloved of the drug industry—particularly when it feels its profitability is being threatened by some new set of government-inspired regulations or price controls.

The big international companies argue that, if their profit levels are severely cut back, they will be forced to reduce their research spending and as a result they will be unable to keep up the flow of new medicines.

They say patients would suffer and domestic pharmaceutical industries would decline with job losses and lower export earnings resulting.

Few of the industry's critics would disagree with the basic thesis that adequate returns are vital for financing further research and development. But there are many who say the major pharmaceutical groups exaggerate the financial pressures they are under.

For evidence the critics cite the healthy profits that most of the big companies have continued to show through the recession.

The claim often made by the industry that its research and development costs have increased tenfold in a decade would certainly seem to be a little misleading.

Undoubtedly there are new drugs which do cost £50m to bring to the marketplace. But industry experts reckon that the average cost of researching and developing a new product is probably nearer £35m. None the less, this still represents a steep increase in average costs.

There are two main reasons why pharmaceutical research and development has become so much more expensive.

One is the way in which regulatory authorities have demanded more data and more stringent safety testing on new products. This has inevitably driven costs up—perhaps unnecessarily so in certain cases.

The industry argues that some of the extra tests and information required before product licences are granted do not really improve safety standards.

There are, however, signs that what many pharmaceutical companies refer to as the regulatory "burden" is beginning to be eased a little. In the U.S., for example, the Food and Drug Administration is taking a slightly less stringent line on new drugs while in the UK the rules on clinical trials—trials on human patients—have been relaxed.

Some sectors of the industry claim that only pressure from the major companies have prevented further tightening of the regulatory screw. They add that if regulatory demands had continued to increase at the rate they were, then research and development budgets would undoubtedly have been cut back.

Perhaps an even more important factor in the rise of research and development costs has been the change taking place in the nature of drug research itself.

For the first time, scientists have started looking inside the human cell to find the root causes, cures and preventatives of illness. The work is harder, it requires more expensive and sophisticated equipment and it tends to take much longer to yield results.

As a result, average research and development spending as a percentage of sales is roughly estimated to have risen from around 12 per cent to about 16 per cent between 1978 and now in the UK.

Against the higher spending that new research methods have made necessary, must be set the fact that more sophisticated and effective medicines are now likely to be developed. This means the pharmaceutical majors can expect to earn higher returns on their investment.

As it is, the table above suggests that pharmaceutical companies do not have too much to complain about when it comes to return on capital employed.

Admittedly, the figures given here cover only companies operating in the UK and they do fluctuate—dropping sharply in 1979 as against the previous year. But compared with many other industries and also with other sectors of the chemical industry, the pharmaceutical companies' operations would appear to be on a thoroughly sound financial basis.

Are the big drug companies therefore merely crying wolf when they express fears about their future profitability? Professor George Teeling Smith, director of the UK Office of Health Economics — the research arm of the Association of the British Pharmaceutical Industry—admits that many of

Return on capital employed

Pharmaceutical companies operating in Britain

Year	%
1975	15.4
1976	16.9
1977	19.5
1978	21.0
1979	14.9
1980	16.3

Source: Office of Health Economies.

the major pharmaceutical groups are currently "doing quite nicely, thank you." But he believes, some of their fears are founded.

He says there is considerable unhappiness over prices and profitabily in the various markets of Western Europe in particular. And he points to the impact that government controls on pharmaceutical prices can have on domestic drug industries.

"In Britain, the pharmaceutical industry has little to complain about and the same is true of companies in West Germany, Switzerland and the U.S.," he says. "But in Belgium, Italy, Spain and France there are strict price controls on pharmaceuticals.

"What some of these low price countries have now done is to drive out their pharmaceutical companies. Today there are really only five countries left in the race—Japan, where prices are on average double those in Europe and where manufacturers' realisations also tend to be double, the U.S., Britain, West Germany and Switzerland.

"These five are the only countries likely to have a significant, research-based industry by the year 2000."

Professor Teeling Smith adds that the international research-based companies are very much dependent on their worldwide sales. If they cannot obtain reasonable margins in some countries they will almost certainly raise their charges in other markets where there are no restraints.

Complaints from the pharmaceutical industry about drug prices in Italy, Belgium and France have already gone to the European Commission. It is claimed that price controls can and often do breach the Treaty of Rome.

Controls also tend to put the international drug companies in an invidious position. Consumer groups are usually more eager to accuse drug companies of profiteering than to charge Governments with holding down pharmaceutical prices to unreasonably low levels.

Despite the often damaging restraints that are put on pharmaceutical companies, Professor Teeling Smith is optimistic about the future of the international drug industry.

He believes the next three decades are likely to bring a "second pharmacological revolution" with controls being gained over the virus diseases, most of the cancers and the auto-immune diseases such as multiple sclerosis and early-onset diabetes.

"My optimism is based on the economics of the industry," he says. "There are a lot of Cassandras who say the attitude of countries like France, Belgium and Italy will spread. I don't share that view. "Future advances will be enormously expensive. But I am optimistic —both from a scientific and an economic standpoint—that the pharmaceutical industries in Britain, Germany, Switzerland and Japan will continue to flourish during this future development phase."

S.C.

Sue Cameron reviews international market prospects

A SCIENTIST at the Ciba-Geigy research unit at Horsham, West Sussex, uses a microcomputer to analyse the intracellular structure of a single biological cell specimen, which has been photographed under an electron microscope. The photographic print under examination has been magnified 150,000 times by the microscope. To give some idea of the size of the cell under study, each cubic millimetre of blood will contain 500,000 such cells, plus 5m red cells and 10,000 white cells.

Ciba-Geigy's pharmaceutical research emphasis is on cardiovascular preparations and anti-rheumatics, as well as research on psychotropic drugs, for the treatment of psychic disorders.

World sales now top $90bn a year

WORLD DRUG sales are now estimated to be worth over $90bn a year. But this bald figure—huge though it *is*—hides a multiplicity of different markets and market prospects in terms of both geographical and product areas.

Today, the major pharmaceutical companies are having to think about market prospects at an increasingly early stage in the development of a new drug. All of them are anxious to maintain and, where possible, improve profitability. But the high cost of research and development makes it impossible for even the biggest groups to give equal priority to every interesting discovery made by their scientists.

So, what are the chief market factors they have to consider when deciding which of their embryonic medicines should be put on the back burner and which *should* be given every encouragement in the form of research and development spending?

The size of any given market is clearly crucial. From a geographical viewpoint, the biggest markets are Western Europe, the U.S. and Japan which between them account for over 60 per cent of world sales of ethical — prescription-only — drugs.

Western Europe, as a whole, accounts for just under 30 per cent of all drug sales. West Germany is the biggest single national market in Western Europe—with around 8 per cent of all sales—followed by France, Italy and then the UK. But such things as prescribing habits, national attitudes towards medicines, regulatory systems and Government price controls—or the lack of them—can make an appreciable difference to drug sales in the various West European countries.

The largest cohesive market in the world is the U.S. which probably accounts for almost 20 per cent of global sales each year. Japan, whose own drug industry is growing fast, accounts for about 12 per cent of world sales.

Of the other major, developed countries, Australia and New Zealand are thought to account for roughly 4 per cent to 5 per cent of all sales and Canada for 2 per cent to 3 per cent.

Trends in industrialised nations

Market remains buoyant

GENERAL economic conditions clearly have some influence on the pharmaceutical markets of the industrialised countries — but they are not nearly so important as in the developing world. And during the last two years, when so many Western industries have been hard hit by the recession, drug sales have remained buoyant.

Mr Ian White, an analyst with the London-based W. Greenwell firm of stockbrokers, reckons that "the dominant factor now" in the drug markets of the industrialised world is the launching of new products. He points out that in the U.S., in particular, the Food and Drug Administration has recently started taking a slightly more liberal attitude to the granting of product licences for new medicines. This has resulted in a significant boosting of U.S. pharmaceutical sales for some companies.

Mr White lists three other important influences on the great drug markets of the U.S., Western Europe and Japan:

- **Pricing patterns:** These can be affected by Government controls—as in the UK and, to a far greater extent, in France —and by the way drugs are dispensed. In Japan, for example, most medicines are both prescribed and dispensed by doctors who therefore have a financial incentive for supporting high prices and for giving their patients the most expensive drugs.
- **The incidence of illness:** Sales of drugs designed to treat common illnesses will clearly be larger than those aimed at rare ones. On the other hand, the big markets are the ones most likely to attract intense competition. And some companies have done well by carving out a dominant position in a comparatively small market.
- **How quickly—and on what scale — doctors latch on to a new drug and start prescribing it:** Effective marketing—aimed at doctors—is a key factor in securing high sales. But in some countries there are constraints on the amount of money a company can spend on promoting its drugs.

Restrictions

In the UK, for example, pharmaceutical companies are penalised if they spend more than 9 per cent—on average—of their turnover on promotion. In West Germany, where there are not the same restrictions, the average figure is around 25 per cent.

Pharmaceutical markets can be viewed purely in terms of product areas. The biggest selling group of drugs worldwide — on the basis of sales value — are antibiotics which account for about 10 per cent of the market. Other important categories — again in terms of value — are cardiovascular drugs, anti-rheumatics and drugs which operate on the central nervous system. Each accounts for around 5 per cent of world sales.

About 30 drug groups, each with 1 or 2 per cent of the market in value terms, account for roughly half the world's annual drug sales. These smaller groups include such things as anti-cancer drugs, skin treatments, contraceptives, anti-asthma drugs and those used against diabetes.

But Ian White stresses that when it comes to high sales and profits, it is the individual product that counts. He points out, for example, that the market for anti-ulcer drugs has been growing "very fast" and this category of medicines now accounts for between 1.5 per cent and 2 per cent of world pharmaceutical sales. But virtually all the market growth in this area has come from a single drug — Smith Kline's Tagamet. Before the launch of Tagamet, the anti-ulcer market was a mere 0.2 per cent of world drug sales.

The new, higher sales levels will be maintained in this sector now that Glaxo has launched a rival to Tagamet — Zantac. But Mr White points out that the dramatic growth in anti-ulcer drug sales over the last few years did not mean it was an attractive area to be in — unless you were Smith Kline.

Few of the major pharmaceutical companies would have much difficulty in marketing a drug as effective and as wholly innovatory as Tagamet. But there seems general agreement among the big, international companies that the launching of a new project — even one with clear advantages over any existing rivals — does not automatically guarantee success in a marketplace that has become

Fierce competition

CONTINUED FROM PREVIOUS PAGE

But the major pharmaceuticals concerns point out that the success of drugs such as Tagamet is the exception rather than the rule, and they stress that a company can go through a fairly long lean period before it manages to put even a moderately successful new product on the market.

Competition, particularly in such products as antibiotics, can be fierce. There are also a number of factors which can help to reduce overall profitability. The French and Belgian governments, for example, exercise strict control over drug prices. The disparity between some drug prices within the European Economic Community has led to parallel importing.

Parallel importers buy a drug in a country where prices are held down and then export it to say, Britain, where the price for the same medicine is considerably higher. On a large scale, parallel importing can seriously undermine the profits of companies which have spent millions in researching and developing the drug in the first place.

Another worry for companies operating in Britain is that the use of generics—unbranded drugs that have run out of patent—may increase at the expense of branded drugs. An official working party, set up by the British Government last year, recommended that pharmacists should always give a patient the cheapest generic drug unless his doctor insists on a branded drug being dispensed.

Drugs bill

The object of such a move would be to cut the National Health Service drugs bill by as much as £80m a year. Whether the plan will be acted on remains to be seen. At present the UK pharmaceuticals industry is fighting against it, claiming that the increased use of generics could hit the UK's drug exports. These were estimated to be worth some £850m last year alone.

But the monetary value of Britain's pharmaceuticals exports alone gives some indication of the industry's health, and it is not only in Britain that the industry is successful. Despite setbacks, difficulties and restraints, the leading international pharmaceuticals companies can look to the future with a sanguine eye.

Problems of the poorer nations

THE developing nations together account for no more than a fifth of total pharmaceutical consumption and for only some 10 per cent to 15 per cent of total production. About 10 per cent of world drug sales are in Latin America while the whole of Africa probably accounts for no more than 5 to 6 per cent.

Pharmaceutical imports to the poorer countries of the world are—comparatively—large. In terms of 1980 manufacturers' prices, the developing countries have an annual trading deficit of some $4bn a year.

Inevitably, the main influence on the drug markets of the developing countries is their rate of overall economic growth. Consumption of drugs per capita is low—about $5 a year compared with over $70 a year in the industralised world —simply because the poorer nations cannot afford to spend much money on medicines.

Medicines are an emotive subject and the great imbalance between drug sales in the rich and poor worlds has led to some of the major pharmaceutical groups coming under fire.

Accusation

They have been accused of being reluctant to build plants or to site laboratories in third world countries and so encourage the development of a local drug industry; of selling drugs in poor countries that would be banned in the industrialised nations; and of failing to devote much effort to the discovery of medicines designed specifically for the treatment of third world diseases.

The pharmaceutical companies — unsurprisingly — deny most of these claims. They point out that they cannot find the expertise they need to staff laboratories in the developing countries, that in 1980—the latest year for which figures are available—their industry spent around $50m on research into the treatment of third world diseases and that they can do little about the poverty that is the root cause of poor health care and low per capita drug consumption.

They add that such things as clean water supplies and improved sanitation would do more to raise health standards in poor countries than would drugs.

They admit that the developing countries do not provide the same market incentives as the U.S., Europe and Japan. But they are also aware that in the long term, sheer numbers of population will ensure that the third world nations will one day provide large, lucrative and expanding markets.

Already, spending patterns are much the same in the developing countries as in the industrialised ones. Pharmaceuticals are reckoned to account for roughly 15 per cent of all third world spending on health care—about the same proportion as in Western Europe and North America.

Pharmaceutical companies that have managed to build up a good reputation in the developing countries are also likely to be in a better position to take advantage of market opportunities when growth rates eventually start to increase. And they can increase dramatically if a poor country's general economic position suddenly improves.

The pharmaceutical markets of the developing but oil-rich countries of the Middle East, for example, are currently estimated to be growing at an annual rate of about 20 per cent. This is way above the world average growth rate for drug sales which is put at between 6 per cent and 8 per cent.

The drug industry fears that proposed EEC 'catch-all' regulation could stifle research

Liability proposals worry the international groups

THE THREAT of strict product liability laws being enforced on those who research, develop and manufacture medicines is causing increasing concern within the international pharmaceutical industry.

There seems every likelihood that sooner or later the European Community will bring in strict product liability regulations — with no exceptions allowed for medicines. A draft EEC directive was drawn up two years ago and is currently being considered by a working party set up by the European Council of Ministers.

The question of whether pharmaceutical companies should be strictly liable for any ill effects of their medicines is a highly complex one.

Nobody—least of all the great international drug houses—would disagree that a company should be held responsible if someone is harmed as a result of its negligence in producing a medicine. But today consumer demands for strict liability go far beyond negligence. There are insistent calls for pharmaceutical companies to lose the right to what is known as a "state of the art" defence.

The draft EEC directive, for example, includes a clause—a key clause from the pharmaceutical industry's point of view—which says: "The producer shall be liable even if the article could not have been regarded as defective in the light of the scientific and technological development at the time when he put the article into circulation."

This means that a company would be liable to pay damages even if a new drug successfully passed all the most stringent safety tests and even if it was manufactured to the highest specifications.

It would not be able to defend itself by saying the state of scientific knowledge was such that it could not possibly have known of the damage its medicine might cause. Nor would it be able to plead that only a tiny number of patients were affected or that the adverse side-effects did not become apparent for many years.

The drug industry's concern is perhaps understandable. An extreme reaction from within the industry has been to say that such a catch-all regulation would simply stifle pharmaceutical research.

There would be no more breakthroughs in the drug world, it is claimed, because companies would not dare to put a new medicine on the market. They would be too afraid of having to face enormous bills for damages and they would limit themselves to making minor modifications to well tried products.

Their lifeblood

Such alarmist threats should not be taken too seriously. Innovation is the pharmaceutical industry's lifeblood and it is inconceivable that the major companies would ever abandon basic research and development.

What will happen if the EEC draft directive goes through, is that insurance premiums will increase and the price of medicines will go up.

Quite how much would be added to insurance premiums and drug prices is unclear.

Mr David Massam of the Association of the British Pharmaceutical Industry, notes that the UK Government invited the British Insurance Association to comment about the implications of introducing strict liability. He says a table was drawn up giving estimated insurance premiums for various products—but drugs were left out.

It was felt there were too many difficulties attached to estimating premiums for "particularly hazardous" products like pharmaceuticals for such an exercise to be worthwhile.

But Mr Massam says the British Insurance Association talked of pharmaceutical premiums being increased by between 300 per cent and 800 per cent—although it stressed that these figures were not particularly reliable.

In most of the industrialised countries of the world governments ultimately bear a high proportion of the national bill for medicines. This in itself should help to ensure that increases in the cost of drugs arising from the introduction of strict product liability should be kept to a minimum. But in one sense, cost is not the most difficult of the problems associated with strict product liability rules for pharmaceuticals.

Mr Massam points out that strict liability is not the same as absolute liability. Absolute liability implies that if an injured party can prove he has suffered damage as a result of taking a drug then the manufacturer can be held responsible—whatever the circumstances. Strict liability is not quite so all-embracing.

A manufacturer operating under a strict liability code might be able to defend himself on the grounds that his drug had been wrongly prescribed or that a patient had taken it in huge doses in a bid to commit suicide. In circumstances of this kind, a pharmaceutical company might well escape liability for any damage caused—and reasonably so in the opinion of most people.

What about proof? If someone has tried to kill himself, it may be easy enough to prove that the fault lay with the would-be suicide victim and not with the drug he decided to use.

But supposing a patient has several different things wrong with him and is taking a number of separate drugs as a result. If the ordinarily safe drugs react badly when taken together and damage the patient, which particular medicine and which manufacturer should be held liable?

And what about illnesses which sometimes occur naturally but can sometimes be caused as a side effect of taking a particular medicine? How can one decide between the action of a drug and what insurance companies would normally refer to as an Act of God?

The tragedy of the Thalidomide children undoubtedly increased pressure from consumer groups for the introduction of strict product liability laws. But a more pertinent illustration of the difficulties that would surround strict product liability is provided by the UK-based Imperial Chemical Industry's drug, Eraldin.

Eraldin is a drug used to treat heart disease. Its great advantage over many other heart drugs is that it is cardio-selective—which means it acts only on the heart and has no effect on the lungs.

At the time it was introduced it represented a big advance in the treatment of people who not only had weak hearts but who also suffered from such things as asthma and bronchitis. Until it was launched such patients had been difficult to treat because drugs given to them for their hearts had normally exacerbated their other conditions.

Safety tests met

Eraldin met all the statutory requirements for toxicity and other safety tests and ICI says it was tested beyond what was demanded by law before it was put on the market.

For a while all went well. Then it was found that a number of patients taking Eraldin—not all—were suffering a range of serious side-effects. In some cases, the drug affected the lining of the stomach or caused impairment of sight or hearing.

ICI—without any legal need to do so—has set up compensation arrangements for those who have suffered as a result of taking Eraldin. But it should be noted that today, in the UK at least, Eraldin is still being used—albeit only in hospitals and only in emergency cases.

Why? The basic answer must be that no matter how terrible the side-effects of a drug, if it is the only one of its type and if the alternative to using it is death then the patient and his doctor will almost certainly be willing to run the risk.

In the case of Eraldin it should be stressed that many people took it without suffering any damage and that, today, when possible side-effects are known, doctors are on the look-out and will stop using the drug at the first sign that a particular patient may be reacting badly.

Under the strict product liability rules being considered by the EEC, it is thought that pharmaceutical companies would be able to defend themselves successfully against any claims if they were able to show they had given due warning that a particular drug could have certain side-effects.

ICI, however, could not have used such a defence because it did not know Eraldin had side-effects when it was launched. Given the state of scientific knowledge when Eraldin went on the market, it could not have known.

Would it be fair for a company like ICI to be held fully and solely liable when it did not and could not know of the risks attached to its drug and where—in the case of Eraldin—the risks that are now apparent are still thought to be worth taking under certain extreme circumstances?

In the U.S. it looks as if the authorities may decide that the answer to the above question is no. In 1979 the U.S. Department of Commerce published a model product liability Act which effectively allows a "state of the art" defence. It remains to be seen whether this model will be widely adopted in America.

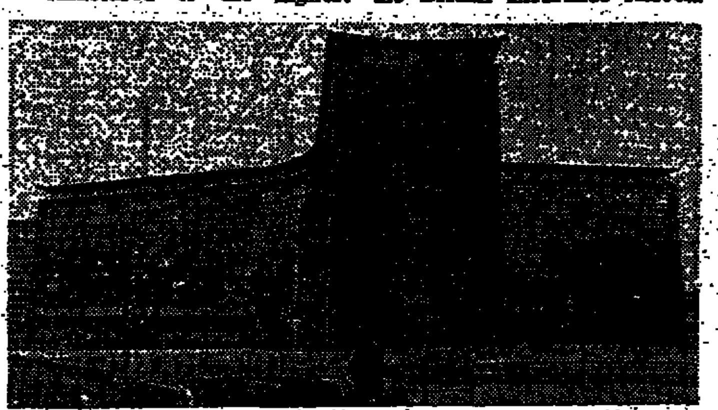
On this side of the Atlantic, the pharmaceutical industry is unlikely to abandon its opposition to the EEC draft directive on strict product liability with its denial of a right to a "state of the art defence." But a growing number of senior people within the drug industry are pointing out that when patients suffer severe side-effects from a drug, somebody somewhere has to pay for their care and—usually—has to compensate them for their loss. Often it is governments who end up footing the bill.

Some senior pharmaceutical company executives are moving to the view that central funds should be set up to quickly and efficiently pay damages to people who have suffered. They believe that, in severe cases, compensation should be paid first and arguments about liability should be sorted out later.

Ideally, the drug companies would like governments to finance such funds. But privately many admit that it would be reasonable for the industry itself to make a sizable contribution.

Without the establishment of centralised compensation funds, the chief beneficiaries of strict product liability laws for drugs are likely to be neither patients nor pharmaceutical companies but international lawyers.

Sue Cameron



Headquarters of the EEC in Brussels where new regulations for the pharmaceutical industry are under consideration

The EEC has still to harmonise marketing authorisations throughout the Community

Seeking a true common market

THERE CAN be little doubt that easing the restrictions governing pharmaceutical sales within the EEC will eventually come about. The only question is when.

Given the EEC bureaucracy, progress towards harmonisation is inevitably slow and for the multi-national drugs manufacturers the final outcome is still not totally assured.

The manufacturers' concern about regulatory control is clear: the heavy costs and time delays in meeting various national drug safety regulations eat into profitability and limit the amount of new research that can be afforded.

It is particularly irksome for the manufacturers to have to repeat the approval process in each country where they want to market their drugs, even though all the regulatory procedures have already been followed in several states.

Harmonisation of the regula*tions governing drugs would, it* is argued, cut out much of the *duplicated resources which at* present keep prices higher than necessary. Yet governments also believe strongly in their right to maintain a strict safety control over pharmaceutical products sold within their frontiers.

Over the past 15 years the EEC has formulated several directives on pharmaceutical regulations. Taken together, these directives have already sought to establish a number of common reference points for European drugs manufacturers.

These include the conditions under which marketing authorisation is given; the requirements of tests and trials for prescription-only drugs; the production and control of prescription-only drugs; package leaflets and labelling; the supervisory duties of national authorities; the colourings allowed to be added to medicines; and the qualifications needed by the people *responsible for production and* control.

A *report by the Commission* to the Council of Ministers last year, noted that all the EEC member-states have introduced a system for the prior authorisation of proprietary medicinal products under the existing directives. But the key issue remains the free circulation of drugs throughout the European Community which have already been approved by at least one member-state.

Rejected

The report rejected the proposal to establish a European body for the issue (or revocation) of marketing authorisations throughout the Community. Instead, it concludes that a system of mutual recognition by national health authorities would be preferable.

The Commission observes that "recognition of authorisations seems to be the simplest and most effective solution: a *medicine manufactured and* marketed in one member-state *on the basis of harmonised pro*visions must, in principle, be allowed on the market of any other member state. . . ."

But there is still a long way to go before the "principle" becomes a practical reality.

Part of the problem facing harmonisation of regulations is the industry's attitude to the Committee for Proprietary Medicinal Products (CPMP) which was set up, under the 1975 EEC directive, to develop a common approach towards the appraisal of new medicines.

The European Proprietary Association has made it clear to the Commission that it was unhappy with the current arrangements whereby manufacturers who had obtained a registration of a new drug in one member state could seek the assistance of the committee to broaden the sale of that drug throughout the EEC.

The Association pointed out *that the existing committee* procedures were available only to manufacturers seeking to extend their sale to five or more other member states.

In addition, they did not allow the manufacturer any opportunity to appear before the Committee with his own experts to answer questions which might arise from the scrutiny of the manufacturer's marketing application.

The Commission's report to the Council of Ministers recognised these difficulties and recommended that the committee's procedures "should therefore be improved, especially with regard to two main points: the conditions for initiating the procedure must be made less restrictive and the applicants must have the opportunity to be heard during the procedure."

The wheels of the Brussels bureaucracy grind slowly on, but there are some hopes that they will eventually create a true common market for pharmaceutical products.

David Churchill

Significant advances in the health-care industry

Biotechnology is widening the horizons

The first of 7lm units of the human leukocyte, Interferon, from Meloy Laboratories, a subsidiary of Revlon. The drug has caught the public attention as a cure for cancer.

BIOTECHNOLOGY, the factory farming of microbes, is an ancient technology which experienced a revolution at the hands of the pharmaceutical industry in the 1940s.

Penicillin, discovered and developed in the previous decade, was being produced in bedpans and milk bottles in Britain until the U.S. drug industry showed how much more productive was deep-culture fermentation.

A single 1,200-litre deep fermentation vessel could make more penicillin than all the "bottle plants" Britain had built. Yields improved at a phenomenal rate, from a maximum of 10 units per millilitre, using surface culture, to 150 units in the first deep-culture fermenters, to 150,000 units per millilitre or more only a few years later.

Penicillin also opened up the whole new world of antibiotics. By 1981, about 5,500 different antibiotics had been described, and they are still being discovered at the rate of around 300 a year.

In 1980, worldwide antibiotic production amounted to 25,000 tonnes, including 17,000 tonnes of penicillins, 5,000 tonnes of tetracyclines, 1,200 tonnes of cephalosophrins, and 800 tonnes of erythrmycins. Their uses include the treatment of bacterial diseases in people and animals, growth promotion in animal husbandry, and plant protection.

The drug industry is thus equipped with both the scientific base to appreciate, and the technology to exploit, a new revolution in biotechnology. This was first seriously forecasted in the mid-1970s, following the first demonstrations of "genetic engineering" of microbes and antibodies.

These demonstrations opened the way to organisms whose genes were tailored in ways that would induce them to make a chemical too complex to be made by synthesis, or make it more cheaply.

If such an "engineered" gene could then be replicated by fermentation, and a few other problems like separation solved on the way, the drug industry could vastly expand its inventory. It could contemplate cures for diseases which had defied medical science, and the manufacture of drugs today are painstakingly extracted and purified from natural sources.

Genetic engineering has put new life into biotechnology and brought it to public attention in a way antibiotics never achieved. Many, perhaps most, industries are likely to benefit from biotechnology. But health-care is the one which captures public imagination, and the one which eventually may benefit most widely.

The big question is when? The initial publicity for biotechnology came from two quarters. One was the new breed of contract research company, born in the U.S., which sought to attract industrial research contracts for projects aiming to harness genetic engineering to a particular problem or target.

The other was the scientific community generally, anxious above all to alert government interest in a re-awakening sector of science and stimulate a greater flow of funds, especially to universities.

Caution

If anything, the drug industry sought to conceal its own interest. One reason was simply commercial security. Some companies—Searle and ICI are two examples—were aware from the start of the potential of genetic engineering. Another reason was the way any new technical activity by the drug companies attracts strong political hostility in certain quarters.

Genetic engineering proved no exception. It was duly condemned as courting unacceptable dangers for the public at large. This in turn altered still wider public and political interest in biotechnology.

Careful examination of the potential risks by the scientific community has led to the conclusion that they were much over-stated.

In the U.S. and Britain, earlier restrictions on research have largely been lifted, so that today they are little impendiment to the laboratory or even at pilot-plant stage. But just to make sure that they were not caught out, pioneering companies in Britain such as Dista (Eli Lilly) and Searle have spent prodigiously on process safety in their first new production plants in Britain.

The big hurdle in health-care remains product safety—the drug safety regulations. New drugs produced by genetic engineering, whether for viral diseases and cancers, or whether to treat inborn disorders such as a growth hormone, will still be required to surmount the same hurdles as synthetic drugs.

Interferon is the most highly publicised example of a drug which might emerge triumphant from the second biotechnology revolution. It has caught public attention as a cure for cancer, for which the evidence remains depressingly sparse.

More promising seem to be its prospects as an antiviral, against targets which include herpes zoster (shingles), influenza and colds. But it is likely to take the rest of the 1980s to accumulate the evidence that could put interferon into the pharmacy as a prescription drug, and far longer before it could ever expect to earn profits as an over-the-counter medicine for colds.

Judicious selection of targets must be the key to success in commercial biotechnology, believes Dr Charles Reece, ICI's director of research.

Get your targets wrong and you will end up with some heavy capital investments—for biotechnology is inevitably capital-intensive — and with novel products for which the market will not pay.

Dr Reece recalls the "orphan drugs" problems. These are the drugs for which there is a demand but which society will not pay to have developed and tested, because too few people need them, or because the sick live in far-away countries. It may well be possible to make human growth hormone by biotechnology. But will British society cover the cost of increasing height in a few hundred people?

Dr Reece believes that investors have to be patient while the scientists sort out good commercial targets from bad ones. What could vastly increase the appeal of a genetically engineered human growth hormone, of course, would be the discovery that it helped to heal wounds safely.

One big problem is that biotechnology is going against some very important new trends in the chemical industry. It is a "dilute" technology, requiring large and costly provision for drying the product, at a time when the trend is towards much higher concentrations and hence much more compact and cheaper plants. And it is an energy-intensive technology, requiring energy to sterilise the plant, to move large volumes of liquid and gases, and to remove process heat fast enough to keep living organisms alive and productive.

The fruits of genetic engineering likely to be earning profits in the 1980s are relatively unsung products, important in health-care but almost unknown to the public. The diagnostic kits for rapid confirmation of disease by hospital technicians is the outstanding example. Such kits present few toxicity problems and can win clearance quickly from regulatory agencies.

The big questions are whether the industry has devised a kit that works infallibly—the race is on, for example, for a genetically engineered diagnostic kit for hepatitis B—and whether it proves acceptable in the two big markets for medicine, the U.S. and Japan.

Amersham International, the previously state-owned British radiochemicals company which went public in a blaze of publicity earlier this year, is abandoning some of its nuclear business and broadening into non-nuclear aspects of health-care, including biotechnology. The message being given to the City in its latest briefings is that it is becoming a specialist company in health care, says Dr Stuart Burgess, managing director.

Diagnostic kits

The bedrock of its present profitability is a catalogue of about 40 diagnostic kits used by hospital technicians for quickly testing for diseases. These kits use radio-active materials as the basis of their speed and accuracy. But 90 per cent of the skill that goes into making a diagnostic kit has nothing to do with its radio-activity.

A newcomer to the British health-care industry is Celltech, the genetic engineering company set up in 1980 as a joint venture between the public and private sectors to exploit some of the science of the Medical Research Council.

One of its main targets is exploitation of the techniques for isolating monoclonal antibodies. These agents show promise, in three different roles—as an aid to diagnosis of disease, as a way of purifying other products of biotechnology (such as interferon), and as a therapeutic agent. A world market worth £250m a year is being forecast as early as the mid-1980s.

David Fishlock

Worries over patents

ONE OF the most fundamental problems of the drug industry is that of patents, and it is here that drug companies are increasingly worried by the short duration of patents.

About half the patent "life" of a drug can be eaten up during the lengthy research and development stage, leaving companies with only about 10 years of market control. This makes it far harder for companies to recoup their substantial development costs.

On top of this basic problem some countries—in South America and the Far East—are changing their laws to weaken or effectively abolish patent protection for drugs. Moreover, the failure to speed up moves to harmonise EEC drug regulations has cut into the effective time available for a manufacturer fully to exploit a patent.

Controls

But some Western countries have recognised the problems of patent control and in recent years have strengthened the protection for pharmaceutical products. For example, in 1977 Britain extended the term of a drug patent from 16 to 20 years. Italy has also agreed to accept drug patents, having largely disregarded them in the past.

The drug manufacturers have little real sanction against countries whose patent laws are weak, since a decision to pull out of the market altogether could hinder the manufacturer's expansion in other overseas markets.

A further problem for the major manufacturers has been the increase in replacing brand-name drugs with cheaper generic products. As drug patents expire, so enterprising manufacturers have produced imitations. Valium, for example, developed by the Swiss-based Hoffman-La Roche company in the early 1960s, has recently come off patent.

In Britain there is concern among the drug companies that the Government may decide to allow pharmacists to substitute cheaper generic drugs for branded products unless a doctor specifies otherwise.

The drugs industry is also worried about the protection of trade marks, which are being steadily eroded in a number of countries. The use of trade marks has been limited in Mexico, Brazil and other Latin countries, while in Yugoslavia, the Belgrade Government has ruled that in operating a licence from a foreign producer a Yugoslav company must also own the trade mark used on the product.

Trade marks have also come under threat as a result of various EEC court rulings on parallel imports which have diminished the monopoly of the granting of trade marks.

Parallel importers exploit the position whereby identical drugs are sold at widely differing prices within EEC countries. The parallel importer may buy in low-cost countries and sell in expensive areas—so undercutting the original manufacturer.

The European Court has already made it clear in several decisions that national patent laws must not give a pharmaceutical company any protection against parallel importers of a product which was placed on the market in another member country by that company, or with its approval.

One of its most recent decisions was reached last December, when the Court ruled against the case brought by Pfizer (the U.S.-based pharmaceuticals group) against a West German importer who bought Pfizer's "Vibramycin" in Britain and repacked it, without authorisation, to make it suitable for distribution in Germany.

The court held that the pharmaceutical company had exhausted its trade mark rights by placing the product on the UK market. The importer had not interfered with the trade mark which was visible through the outer packing.

The essential problem is the wide disparity of prices asked in various EEC countries for the same drugs—especially between the Italian and Netherlands markets. Harmonisation of drug regulation laws among the member states should prove the most effective solution for the industry.

David Churchill

Monitoring the production of biosynthetic human insulin at Dista (Eli Lilly).

PATENT COMPARISONS

(Comparison of effective patent protection in pharmaceutical and other markets)

Product	Commencement of protected period	Date of commercialisation	Expiry date	Effective period of protection (years)
Unaffected by Patents Act 1977 (ie 16 years patent life):				
Velcro fastenings	22.10.52	pre-1956	22.10.68	over 12
Penbritin ampicillin†	23.9.59	21.7.61	23.9.75	14
Letraset graphic transfers	1959	1961	1975	14
Brufen ibuprofen†	12.1.62	2.69	12.1.78	9
Flymo hover grasscutters	14.3.62	1963	14.3.78	15
Froben flurbiprofen*†	21.1.65	9.77	21.1.81	under 5
Dolobid diflunisal*†	9.3.67	4.78	9.3.83	5
Affected by Patents Act 1977 (ie 20 years patent life):				
Feldene piroxicam*†	31.12.68	1.80	31.12.88	8
Zinacef cefuroxime*†	12.5.72	1978	12.5.92	14
Plasplugs wall plugs	9.4.74	1974	9.4.94	20
Holts Hosewell Bandage motor accessory	1974	1975	1994	19
Exide maintenance-free battery	14.2.79	10.80	14.2.99	19

* Commercialisation subjected to prior compliance with the licensing provisions of the Medicines Act 1968. † Pharmaceutical products. Source: National Economic Development Office.

PHARMACEUTICALS V

The development of a new pharmaceutical product usually takes about eight years, according to Hoechst of West Germany. The development involves not only medical scientists and chemists but also physicists, mathematicians, biologists and process engineers.

HOECHST

Fruitful research into insulin

Hoechst pharmaceutical sales in 1981 were DM 5.7bn, against DM 4.7bn in 1980. Its pharmaceutical research and development spending in 1981 amounted to DM 645m.

THE West German-based Hoechst group is the largest pharmaceuticals producer in the world. Its total business covers a wide range of products from plastics and paints to dyes and agrochemicals, but its pharmaceuticals account for a higher proportion of its total sales than any other single sector.

Its pharmaceuticals cover antibiotics, heart drugs, diuretics, anaesthetics, vaccines and medicines for the treatment of diabetes. Further developments in the group's range of heart drugs are expected to be announced fairly soon.

Among the newer drugs that Hoechst has successfully introduced to the market are Merital, an anti-depressant said to be particularly useful for treating old people because it does not appear to have any side effects on the heart. Another is Frisium, a tranquilliser claimed to have less effect on patients' nervous reflexes than many other competitive products.

One of the best selling of Hoechst's new drugs is Claforan, injectible cephalosporin antibiotic used in the treatment of bacterial infections.

One of the main areas of Hoechst's research and development is insulin and the treatment of diabetes. The group's scientists have found a way of synthesising insulin and this is claimed to represent a major breakthrough. But so far the discovery has not led to the introduction of synthetic insulin to the market.

West Germany is the world's fourth biggest pharmaceuticals market and a key one for Hoechst. But the group is also trying to expand its existing pharmaceuticals sales in other important areas such as the U.S. and Japan as well as South America and Western Europe.

ICI: FIRST OF THE MAJOR GROUPS REVIEWED BY SUE CAMERON

Sales growth above sector average

THE pharmaceuticals activities of ICI now accounts for almost a quarter of the group's overall trading profit.

This partly reflects the way the recession has hit some of the group's other product areas — notably commodity plastics and petrochemicals—but it is also a measure of the success of ICI pharmaceuticals.

Its pharmaceutical sales rose by 18 per cent between 1980 and 1981. As ICI itself points out, this was "significantly higher than the overall growth rate of the world pharmaceuticals market." The group's sales and profits in the pharmaceuticals sector have both more than doubled over the past five years.

These are the relevant ICI figures: pharmaceuticals sales in 1981, £407m; sales in 1980, £346m; trading profit on pharmaceuticals in 1981, £90m; profit in 1980, £66m; pharmaceuticals research and development spending in 1981, £56m.

ICI's research and development spending in the current year is expected to be about £70m — well up on the £56m of last year. Its main pharmaceutical product areas are cardio-vascular drugs, painkillers, tranquillisers and anti-cancer drugs as well as antiseptics.

Perhaps ICI's best-known drug is Inderal, claimed to be the most widely used beta-blocker heart drug in the world. But the company also makes Tenormin, a second-generation cardio-selective beta-blocker. It was launched in the U.S., the world's biggest drug market, last autumn.

Tenormin is said to be selling well in the U.S. and is thought to have had sales worth $1.5m there in January alone. Industry experts believe total U.S. sales of Tenormin this year could be as high as $30m.

Last year over 80 per cent of ICI's pharmaceutical sales were outside the UK and more than a quarter of them were in North and South America. The group is also active in Japan, the world's second-biggest drug market. It launched Nolvadex, a drug for the treatment of breast cancer, there last year.

ICI expects its growth in pharmaceuticals to be generated internally. Despite occasional speculation that it will expand by acquisition, the company has no plans for a takeover. It says that such a move would be expensive and increase research costs, without necessarily bring a commensurate improvement in successful new products and profitability.

CIBA-GEIGY

New product range

Ciba-Geigy's pharmaceutical sales in 1981 were SwFr 3.7bn against SwFr 3.2bn in 1980. Its pharmaceutical research and development spending in 1981 was between SwFr 380m and SwFr 400m.

OF THE Swiss-based Ciba-Geigy's seven main product divisions pharmaceuticals is the biggest and also one of its fastest-growing areas in terms of sales.

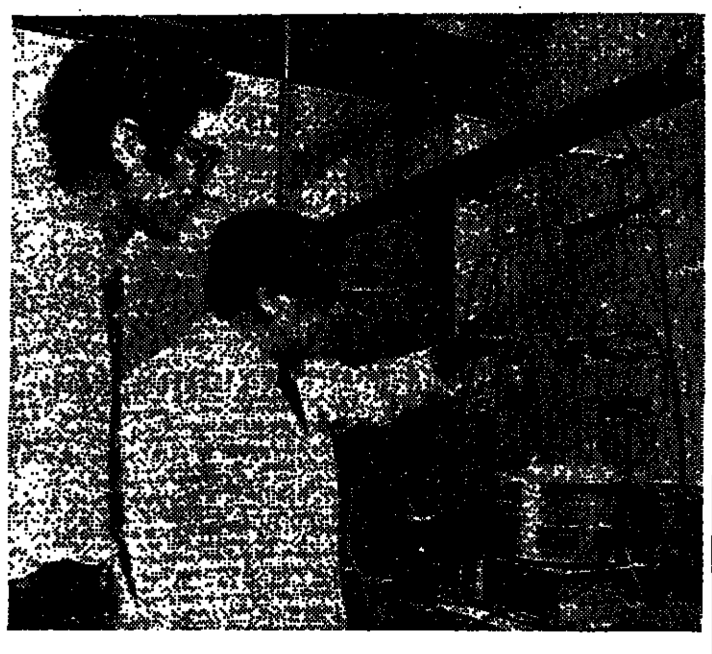
Both last year and the year before Ciba's pharmaceutical sales rose 18 per cent—a growth rate exceeded only by its agricultural division.

Its pharmaceuticals cover a wide range, including heart drugs, analgesics (painkillers), anti-rheumatics, antibiotics and drugs for treating the central nervous system.

The range is broadly based and many Ciba drugs have a relatively small annual turnover. But one that has roused much interest recently, particularly in the U.S., is Anturan. It has been available for some years as a treatment for gout, but now there are hopes that it may be able to reduce the risk of heart attacks and it is now undergoing further tests.

Among Ciba-Geigy's major products on the market are the Trascior group of heart drugs, Voltarol, an anti-rheumatic, Tofranil, Anafranil and Ludiomil, all three anti-depressants, and Duracef, Monaspor and Halospor, all antibiotics.

Important new products introduced over the past year have included Orimeten, for the treatment of breast cancer, and Varbian, a cardiac stimulant for use in cases of severe heart failure.



Mr Robin Ganellin (left), research group head, and Mr Wasyl Tertisk, researcher, synthesize new antagonists at the SK & F Research Institute at Welwyn Garden City in Hertfordshire.

GLAXO

Overseas expansion plan

Glaxo's pharmaceutical sales in the year to June 30, 1981, were £514.5m. Sales for the same period of 1979-80 were £415m. Trading profit on pharmaceuticals in the year to June 30, 1981, were £82.3m. Pharmaceutical research and development spending in the year to June 30, 1981, was around £45m. These figures include Glaxo's food as well as pharmaceuticals manufacturing.

THE UK-based company Glaxo's pharmaceutical products cover a wide range, including antibiotics and drugs for the treatment of asthma, rheumatism, cardio-vascular ailments, ulcers and skin complaints.

Among its best-known products are Ventolin, used in the treatment of asthma and claimed to be the world's most widely-used aerosol bronchodilator, Zinacef, an antibiotic introduced in 1978, and Zantac, an anti-ulcer drug first marketed last year.

Zantac, one of the most interesting new drugs to appear recently on the market, is a rival to Smith Kline's success Tagamet. Zantac is said to have a number of advantages over Tagamet in the treatment of gastric ulcers.

Pharmaceutical industry analysts expect Zantac to give a healthy boost to Glaxo's sales and profits. One forecast is that it will yield profits of between £30m and £40m a year averaged out over the next five years.

Glaxo is now concentrating on expanding in overseas markets, notably in West Germany, where it has a joint venture with E. Merck, Japan, where there is the Nippon-Glaxo joint manufacturing company as well as a joint marketing venture, and the U.S., where Glaxo believes it has "unexplcited opportunities."

Glaxo is believed to have had a "good run" of new products over the past few years. Fortam, an advanced injectible cephalosporin antibiotic, is now under research and expected to be on the market next year.

SMITHKLINE

Boost for health care

SmithKline's pharmaceuticals sales were £1.4bn sales 1981 and $1.2bn in 1980.
Operating profit on health care products, including animal care and ethical and proprietary medicines, $525.8m, in 1981.
Pharmaceutical research and development spending was about $120m in 1981.

THE U.S.-based company SmithKline almost trebled its sales between 1976 and last year and is now aiming for total sales—including medical and industrial instruments, ophthalmic and optical products and animal health products as well as pharmaceuticals—of about $4bn by 1985.

Much of SmithKline's growth so far is accounted for by its anti-ulcer drug Tagamet, which has become a record-breaking best-seller. The company has now began to market Tagamet in Japan—at the start of this year—and has also set up a joint venture company there with Fujisawa Pharmaceutical.

Tagamet now has a rival in Glaxo's Zantac, but SmithKline has a number of other new drugs under research. These include two that, like Tagamet, are H_2 receptor antagonists.

The company is also working on a number of new heart drugs as well as two new cephalosporin antibiotics — Cefizox and Cefonicid.

SmithKline says its "leading drug in advanced clinical development" is Ridaura, for the treatment of rheumatoid arthritis. Marketing applications for Ridaura have already been submitted in a number of countries.

SmithKline is concentrating its efforts on its health care business and has divested itself of what it calls "low-growth, low-margin" operations in such fields as cosmetics, sun care products and speciality foods.

In the mid-1970s it was heavily dependent on the U.S. market, but it has since started trying to strengthen its position in other regions—especially Europe, Latin America and the Middle East.

BAYER

Main areas are antibiotics and heart drugs

Bayer's pharmaceutical sales in 1981 were DM 5.4bn, against DM 4.3bn in 1980. Its pharmaceutical research and development spending in 1981 amounted to DM 540m.

PHARMACEUTICALS account for an ever-increasing proportion of the West German group Bayer's total sales. In 1971 pharmaceuticals represented only 9 per cent of the group's total sales world wide, but by last year the figure had jumped to 16 per cent and it could go higher.

Bayer is planning to strengthen and expand its already substantial research and development effort in pharmaceuticals, both for over-the-counter medicines and prescription-only products.

The main areas on which the company concentrates in the pharmaceuticals field are antibiotics, heart drugs and drugs for treating the central nervous system.

Among its most successful pharmaceuticals are Adalat, a heart drug, Baypen, a powerful broad-spectrum antibiotic now being sold in the U.S. as well as Western Europe, Securopen, an antibiotic, and Canesten, an anti-fungal used for the treatment of such ailments as athlete's foot.

But it's best-known medicine is probably still aspirin, which is a Bayer brand name although widely used as a generic term in some countries. Originated in 1899, Aspirin is still one of the world's most popular painkillers.

Bayer continues to put much emphasis on the vast and lucrative U.S. market. It has two U.S. subsidiaries — Cutter Laboratories and Miles Laboratories.

The parent group has several new drugs under research, including new antibiotics and an anti-diabetic.

In addition to the high cost of research, companies are having to pay more to defend experiments on animals, says **David Fishlock,** Science Editor

Why discoveries are so costly

TWO MAJOR new drugs have emerged from British research laboratories in the past year. Their appearance suggests that, although innovation may be becoming more hard and costly, it continues to thrive in the pharmaceutical business.

Glaxo produced the first rival to cimetidine (Tagamet), the first drug to cure stomach ulcers, launched by Smith Kline and French in 1976. Dr David Jack, Glaxo's director of research, has called cimetidine "probably the most important drug of the 1970s."

Ranitidine (Zantac), the Glaxo discovery, is a fundamentally different chemical, "at least as efficacious as cimetidine and more selective," Dr Jack claims.

Like cimetidine, ranitidine blocks the action of histamine, the chemical "messenger," in stimulating acid flow to the stomach. Both chemicals compete with the messenger for the receptor sites through which it delivers its instruction to release acid.

Both reduce acid flow but do not stop it completely, leaving just enough to complete digestion of a meal. Glaxo's claim is that ranitidine is a better "fit" with the receptor, hence more specific in action and less liable to cause side-effects.

Beecham once sought, unsuccessfully, to acquire Glaxo in order to create a pharmaceutical company on a scale — in research, for example—that more nearly matched the big U.S., Swiss and German groups.

Last summer it announced a new oral antibiotic, named Augmentin, to fight the problem of bacterial resistance to antibiotics. It was the result of a search begun 20 years earlier at its group research headquarters at Brockham Park, Surrey. The company estimates it cost about £20m to bring the new drug to the market, £15m of which was spent on R and D.

Beecham was searching for a particular kind of drug activity —a lethal effect on the enzymes which, increasingly, were destroying penicillin and preventing it from curing diseases which once had succumbed readily to the antibiotic.

In the early 1970s, it found such activity in a mould from South America. The source was a chemical, previously unknown, which was named clavulanic acid. The potassium salt inhibited activity of both Gram-positive and Gram-negative bacteria.

The control room of the computer governing the production of "Aldomet" (an anti-hypertensive agent) at Merck Sharp and Dohme's plant in Cramlington, Northumberland

Augmentin is a mixture of Amoxyl, a pencillin and Beecham's biggest-selling antibiotic, with potassium clavulanate. The chemical attacks the enzyme beta-lactamase released by antibiotic-resistant bacteria, inactivating it, so that the microbe becomes vulnerable once more to the antibiotic and its power to rupture the bacterium cell wall.

These two drugs have been brought to the market over a period in which public concern for drug safety has shown no sign of wavering, while drug companies have found themselves under increasing attack from a new quarter. Opponents of vivisection have stepped up their action to a degree where research workers find their laboratories and even homes are assaulted.

On a recent visit to a large drug industry research centre near London, I found the gate barred by barriers more in keeping with a military research establishment. The research director said wryly that he had been obliged to increase his security staff from four to 20, the cost of which had still to be met from his research budget.

Increases

According to Dr Miles Weatherall, who until 1979 was director of establishment at Wellcome Research Laboratories, the cost of studies necessary before clinical trial of a drug intended for long-term use in man rose, in real-money terms, between 1965-79 by a factor of 3.2 for toxicology and 5.2 for pharmaco-kinetics.

Dr Weatherall, writing in *Nature* last month, said that the time taken in Britain from first publication of scientific news of a new drug to its market launch had increased from six years in 1965 to 10 years by 1978. One drug company has reported that the number of animals needed for safety testing doubled between 1972-78, from 600 to 1,200 or more.

One inevitable result of such financial pressure is that, if the drug company is not to cut back on research—and nine in Britain closed down R and D centres during the 1970s—it is likely to concentrate its resources still more on the common diseases where the promise of financial return is greatest.

The so-called "orphan drugs" needed for rare diseases will not come to the market. If discovered at all, they will be prepared in a hospital laboratory as required. The extent to which this can be done successfully is severely limited by the resources available.

Nevertheless, the drug industry must still be counted as one of the most successful at turning innovation to profit. Dr Duncan Davies, just retired as the Department of Industry's chief scientist, commented on this at the memorial service this month for Dr Alfred Spinks, former research director of ICI and chairman of the group of government scientific advisers which produced the Spinks Report of biotechnology in 1980. After the Second World War, Dr Spinks played a key role in creating ICI's pharmaceutical division.

Recalling this post-war era, Duncan Davies observed that it had been "a very long haul to convert the sharp success of wartime science into the more difficult matter of sustainable peacetime business, and there were many doubters who regarded Alfred Spinks' team as an expensive luxury that would never prosper.

"Now is a good time for them to acknowledge their error, meekly kneeling upon their knees. The division he helped to create—some would call it his division — is now ICI's steadiest source of income, dependent less than others on kindly governments or fickle trading fortune."

Dr John Vane, research director of the Wellcome Foundation, Britain's heaviest spender on drug research and development, summarises the progress industry is making towards new drugs in The Chemical Industry, lately published by the Society of Chemical Industry. Dr Vane believes "there are a lot of exciting discoveries yet to be made."

It has been the fashion for scientists to say that the major discoveries of medicine have now been made and that further advances will be progressively harder to accomplish, and mainly refinements of existing treatments.

"I dispute these views as being altogether too pessimistic," he says.

One of Dr Vane's greatest enthusiasms is for the prostaglandins, and their possibilities as anti-inflammatory drugs and as prophylactics against heart attack and stroke.

As a result of the discovery in the Wellcome Research Laboratories of prostacyclin in 1976, he forecasts "good hope that several types of cardio-vascular disease will be conquered in the 1980s."

Giant stainless steel fermenter tanks for antibiotic production at the Dista plant in Speke, Liverpool.

Medicines for the Third World

MOST POOR countries are devoting at least 5 per cent of their total wealth to health, according to a report from the Office of Health Economics.

The supply of medicines through state-funded services to the mass of the rural and outer-urban Third World population is a key component of public health care. At present, the report argues there is "a dearth of medicines" in the Third World.

Even though a typical poor nation may spend around a quarter of its central government health budget on pharmaceuticals 60-70 per cent of the people do not have regular access even to basic drugs.

And some important diseases are not yet treatable. Better distribution of a limited range of medicines and vaccines coupled with research specifically aimed at new pharmaceuticals for the Third World is urgently needed. Malaria, onchocerciasis (river blindness), leishmaniasis and leprosy are typical of the sort of conditions for which drugs and vaccines should be developed.

OHE acknowledges the current efforts of the WHO and the international pharmaceutical industry in this last area, but argues that British aid money and charitable funds might also be usefully directed towards finding more appropriate medicines.

The rise of in-store pharmacies in supermarkets is hurting traditional outlets, says David Churchill

High Street chemists feel the pressure

THE DISTRIBUTION of pharmaceuticals in Britain continues to undergo steady structural change brought about by the rise of the multiple retailer at the expense of the small High Street chemist as well as the fierce competition within the wholesale sector of the trade.

During the 1970s the number of retail pharmacies fell by some 12 per cent, from 11,924 in 1972 to 10,628 in 1980, although there was a small increase in 1981 to 10,709. Smaller outlets in poor shopping locations away from the important High Street trade, as well as rural pharmacies, have suffered most from the competition. The result has been a higher concentration of total turnover in fewer outlets.

Pressure on the smaller retail pharmacies has been exacerbated by the changes in the distribution of household medicines over the past decade. In 1970 less than a fifth of non-prescription medicines were sold by retailers other than chemists, but by 1980 grocers and drug stores had taken some 60 per cent of the £350m market.

Chemists had seen their share fall to 40 per cent. Grocers have also been taking away the chemists' share of the toiletries market—an important profit-earner for small shops—while retail pharmacies now have less than one-third of this market, compared with more than 90 per cent 20 years ago.

Supermarkets

The independent pharmacists are also facing increasing pressure from an as yet small trend towards setting up pharmacies within large supermarkets. Both Tesco and Safeway have pioneered these instore pharmacies so far.

While these subtle pressures are continuing to affect the retail trade it is among the wholesalers that the most obvious changes have been taking place. The cause of the turmoil within the sector is the breakdown of the retail price maintenance system and the emergence of a bitter price discounting war.

Although resale price maintenance was abolished for most goods in 1964 it was kept in certain areas, including the pharmaceutical trades. Manufacturers were accordingly able to dictate the prices at which wholesalers and retailers could sell the drugs concerned. The main argument advanced by the manufacturers was that retail price maintenance ensured a better service, since a price war in the drugs market would dissuade some chemists from keeping supplies of slower-moving lines.

Retail price maintenance was also seen as an essential weapon in maintaining the structure of the trade, helping to bolster the small chemists against the encroachments of the large multiples.

From the manufacturers' point of view the major drawback of retail price maintenance has been in policing the system.

This has been especially true over the past decade as the multiple retailers have taken a greater interest in selling pharmaceutical products. Wholesalers have increasingly been tempted to offer discounts while still paying lip service to retail price maintenance.

For example, wholesalers are able to by-pass retail price maintenance, without technically breaking the agreements, by such measures as offering longer credit periods or extra goods.

In 1979, Unichem, the co-operative owned by retail chemists, began a profit-sharing scheme among its members which effectively provided retailers with discounts. Following Unichem's intiative, other major wholesalers began to offer similar discounts—which, not surprisingly, has cut their profitability and is leading to severe rationalisation by some wholesalers.

The situation has been further confused by the Department of Health and Social Security's move to reclaim from chemists the discounts secured from wholesalers. The DHSS argues that the discounts have not been reflected in the payments made to chemists for prescriptions dispensed, and therefore they had effectively been "overpaid."

But Unichem is fighting this move through the courts along the lines that it is only paying a profit share to its members—which is not the same as a discount. The result of the court case is expected within a few months.

Most observers expect that once the DHSS dispute is out of the way, and the smaller wholesalers have been forced out, the trade will settle down to a form of rationalised discount system that will allow wholesalers a reasonable return on sale of pharmaceutical products.

GARDENS TODAY

A test of plantsmanship

BY ROBIN LANE FOX

NOWADAYS, keen garders are not just gardeners; ey are plantsmen and platswomen. The Royal Hortiltural Society runs a speal magazine for them, cled Te Plantsman no less. Recently, I was told by a landscap gardener that I realr ougt to go and call on a qui unknown couple because the were "planty" people. Perhaps this, too, will cach on causing planty people to give planty parties at which we all have planty of fun.

I am not sure who invented the title of plantsman but I first met it as a description of that great West Countr gardener and authoress, th late Margery Fish. Thousand still enjoy her books and will recognise the plantsmanship i the flowers which she loved. thers will know her remarkabl garden at East Lambrook Manor, Somerset, which is still open regularly to the publi. I would not call it a beatiful garden but its very incoherence has a style of its own. AEast Lambrook, she massed herbaceous plants especially for all manner of curious qualities, while there could never l too many forms of her favorite violets and primroses, penstimons and hellebores. The result was too much of a collection to be restful but her sharp eye detected some fine varieties and realised the ideal to which many plantsmen have always aspired.

My own definition of a plantsman is a gardener who sees beauty in a green- or inkflowered plantain. I give this definition in order to disqualify myself but I must admit to pride in my patch of variegated ground elder and thriving clumps of the brown-leaved dock. Plantsmen move happily on the borderline between garden plants and weeds. Others, I suspect, would consider me as planty as a Palliser.

One result of all this plantsmanship has been a growing mistrust of bold and clearly-controlled style. Constable once remarked that he never saw an ugly thing in his life. If he were alive now, I fancy that between signing limited editions of his graphics, he, too, would have ended up as a plantsman. Where everything is curious, nothing can be excluded in the interests of taste or planned colour. Gardening becomes a race for long forgotten green primroses or the ever-elusive forms of double violet.

Meanwhile, the cottage garden works its potentness, a lost other Eden of old-fashioned flowers, supposedly placed without any forethought in a happy profusion of rustic good taste. Edwardian country diaries are dusted down in the dreams of gardening English women bent on a revival of the supposed Victorian favourites; double flowered Sweet Rocket, Fair Maids of France and Love-Lies Bleeding. Well it might, for looks in the garden, too, take second place.

Another result, which follows from all this plantsmanship is the *concern to rescue good* garden plants which the nurserymen have dropped. This year, those masters of garden *shrubs, Hilliers of Winchester*, will cease to offer some 4,500 varieties, reducing their lists to some 3,500. That, of course is abundance enough for most lifetimes, and gardeners' own apathy is to blame in part for the decline. But while stocks shrink, the hunt for forgotten plants has gathered pace. It is led by the National Council for the Conservation of Plants and Gardens, c/o the RHS Garden, Wisley, Surrey and its Irish counterpart, the Irish Garden Plant Society whose secretary, Miss M. Forrest can be reached through the National Botanic Gardens, Glasnevin, Dublin.

If you think you might have sighted a catmint called Blauknirps or a Michaelmas daisy called Bessie Chapman, these societies would be glad to hear from you. Their ambitions run high, extending to a survey county by county of all stocks offered by the masses of small nurseries whose enterprise supports the special quality of British gardens. *At the same* time, lists of plants which are missing, feared lost, are put out for members who can watch for them in private gardens. Special protection has already been voted to collections of this or that family, and a huge volume of information is finding its way onto Wisley's card index. These societies depend on private finance; the latest newsletter commends the Dorset county group for raising £1,150 for the central fund.

Many of the missing plants have never come *my way at all.* I would not recognise an Exogonum purga if I saw one, and I suspect that even Arthur Hellyer would be tested by the missing Chionographis. The first step must be to train more plantsmen to know what they are looking for. The lists look tantalising enough, scope for a decade of gardening journalism if these little-known plants come in from the cold. I am not sure who will *grow* them all when they do, but there must be good garden plants among them for plants, like literature, do not just survive because they deserve to.

When the results come in, they will make plantsmanship still more of a test, for us all. If you wish to join in, the Secretary at Wisley will direct you to your county group and before long you will find yourself attending excellent lectures and learning how to keep an imperilled species going, if you ever find one.

I am considering a similar council for the conservation of capable and energetic gardeners who have never been trained in a public park. Meanwhile, give yourself a year, and you ought to be as planty as the best of them. You might even score a good mark by sighting the lost double brown wallflower. Before you ring the council, however, I should warn you that the brown is the colour of its flower not the colour of those leaves which are suffering from the recent sunshine and your own indifference to greenfly.

FT COMMERCIAL LAW REPORTS

Digest of cases reported in the Easter Term

FROM MAY 11 TO MAY 28 1982

CN Marine Inc v Stena Line A/B and Another (FT, May 11).

Mr Jusice Parker reconfirmed that a breach of contract for the sale of "specific goods" under the Sale of Goods Act can apply to a sale of a ship. Although *ships were not ordinary* articles of commerce, other tonnage could usually be found and specific performance should be ordered only when damages would provide an inadequate remedy. However, the order for specific performance would have to take into account the rights *of a third party to the* vessel under a two-year charterparty.

Air Canada and Others v British Airports Authority and Another (FT, May 12).

Mr Justice Bingham considered the task of the courts in weighing the balance between claims by the executive to withhold documents, on the grounds of public interest immunity, against the harm which nondisclosure might do to a plaintiff in ensuring a full and fair hearing of his case. The documents concerned an increase in charges at Heathrow Airport, and the Trade Secretary had asserted that they should not be disclosed. *Although documents so* close to the inner processes of government had never previously been ordered to be produced in litigation, the court was provisionally inclined to order their production. The judge would not make such an order, however without first privately inspecting the documents.

Three H Aircraft Hire v Commissioners for Customs and Excise (FT, May 14).

Mr Justice Webster said that a test of "recognisable continuity" was useful in deciding whether a business was being carried on for VAT purposes. It *was not likely that anomalies* would arise if the definition of a "business" for the purposes of the Partnership Act was not exactly the same as for the Finance Act. In most cases, an activity would constitute a business for the purposes of both Acts, but in the present case, the *partnership* was no more than an informal and friendly agreement that could not be registered as a business for VAT.

Geoffrey E. Snushall v Commissioners of Customs and Excise (FT, May 18).

In holding that a publication was not a "newspaper, journal or periodical" within the 1972 Finance Act, Mr Justice Webster said that there was nothing in the context of the legislation which required that anything other than their ordinary natural meaning should be ascribed to these words. A publication *for sale* to estate agents for distribution and not for sale to the public could not be described as a periodical. The plaintiff's appeal against the finding of the VAT Tribunal that a property guide which carried its advertisements could not be zero-rated for VAT was dismissed.

First National Finance Corporation v Goodman (FT, May 19).

In 1970, Mr Goodman signed a bank guarantee, with no upper *limit* and *no* limit of time, against advances to a package holiday business with which he was associated. Two years later the bank amalgamated with the *plaintiffs, which carried on business* as before. About the same time, Mr Goodman fell out with his associates while the business continued to receive large advances from the successor bank. Mr Justice Bingham held that on a strict but fair reading of the guarantee, the language clearly showed that it was to apply to advances made not only at the date of the banks' amalgamation, but also to those made thereafter. Thus Mr Goodman, despite having ceased to have any interest in the firm or knowledge of the loans it received, was liable for £338,165 under *the guarantee that he had signed* on its behalf.

Beverley Acceptances Ltd v Oakley and Others (FT, May 21).

The degree to which a mercantile agent was "in possession" of goods for the purposes of a sale under the Factors Act was considered in the *Court of Appeal*. Lord Denning, dissenting, held that because the agent had "actual custody" of the car and was in possession of its log book that sufficed to bring the transaction within the Act; the disposition need not be at the same time as "possession." Lord *Justice Donaldson, in a majority* view, said that the fact that the plaintiff's bills of sale were executed after the agent had ceased to have possession was fatal to its appeal. The car log book, moreover, was not sufficient to furnish a document of title.

Percy Bilton Limited v The Greater London Council (FT, May 25)

Under a contract for a housing project, the plaintiffs agreed to *pay liquidated damages to the* GLC if the work was uncompleted by a certain date. By the time that a sub-contractor, nominated by the GLC, withdrew his labour, there was already considerable delay in the work, and several extensions were agreed upon thereafter for completion. The House of Lords rejected the plaintiff's contention that the GLC was obligated not only to nominate the original sub-contractor and any necessary replacement, but to maintain him in the field so long as required. As the GLC had not caused the sub-contractor's withdrawal, and no contractual provision covered the plaintiffs for such an eventuality, the GLC was entitled to deduct the damages from the total payment.

United City Merchants (Investments) Ltd v Royal Bank of Canada and Others (FT, May 26)

Once documents conformed to the terms of a letter of credit, a bank has to pay the sum stipulated to the seller even if the document contains a material inaccuracy, the House of Lords ruled. Only if the seller fraudulently makes the misrepresentation himself in order to draw on the credit is the bank in a *position to refuse to honour its* contractual obligations under the letter of credit. It was to the benefit of international trade for the autonomy and certainty of letters of credit to be upheld in all cases except those involving fraud on the part of the beneficiary.

The Clifford Maersk (FT, May 28).

Cargo-owners alleged that carriers of their cargo were liable for its damage. While *investigations* were being carried out, the carriers granted them an extension of the one-year limitation period within which to issue their writ under the Hague Rules. The *last* day of the extended period was a Sunday. The writ was issued the following Monday and the carriers asserted that it was out of time. Mr Justice Sheen held that where the date on which the agreed extension was to end fell on a Sunday, the writ was issued in time on the Monday or the next day on which the court office was open.

Aviva Golden

The law report will recommence for the Trinity Term on Tuesday, June 8.

TELEVISION

Chris Dunkley: Tonight's Choice

In the last few years I have written several times in my main column in this paper about so-called natural history programmes which seemed to be taking retrograde steps away from the purity of the wildlife film tradition. Cindy Buxton and the Menuhins in particular appeared to be more concerned with displaying their own supposedly idyllic lives than with dedicating themselves heart and soul to the advancement of natural history.

Tonight's Wildlife Jubilee on BBC-1, however, proves that there is nothing in the least new about this tendency to star the film-maker at the expense of the animal. Either I saw very few of the BBC Natural History Unit's early programmes or I have forgotten them, because this 25th anniversary compilation shows Armand and Michaela Denis going through an embarrassingly arch double act prior to photographing a rhino called Gertie, and the close-up on Lotte Hass cinching-in the belt of her latex rubber wet-suit round an impressively small waist leaves little *room for doubt about which gorgeous animal was the biggest* attraction of that series.

The compilation, which is preceded by the first of three Wildlife Talkabout programmes on BBC-2, does its job superbly well: it reminds one of the unit's many personalities (Gerald Durrell, Peter Scott, Johnny Morris, Desmond Morris and so on) and indicates dramatically the technical advances since 1957.

BBC 1

6.4[?].55 am Open Univesity (Ult High Frequency oly). 10.00.12 You And Me. 1.40 Crick England v India for the rudential Trophy rom Headley. 1.00 pm News After Noon 1.27 Regional News for Engl (except Lonon). Lond and SE only: Fineral Repo News Headlines ith subtis. 1.30-1.45 Over the Moon 35 Songs of Praise fom Leeds.10 Cricket: Englan v India rom Headingley. 1.53 Regio News for Engand (exce London). 3.55 Play Schoo.20 Scooby Doo, Where Are Y? 4.40 Oscar, Kina and the L. 5.05 John Craven's Newsrd. 5.10 Wildtrack.

5.40 ws.

6.00 gional News Magaes.

6.15 tionwide.

7.00 n and Jerry.

7.15 nedy Classic: "The d Life" (London and th East and Scotland ons only).

7.45 llife Jubilee: A wild- spectacular celebrat- the 25th anniversary the BBC's Natural ry Unit.

9.00 s.

9.25 T (America's comedy

9.50 Snight — Boxing:

11.08 N Headlines.

11.10 C Richard and The Shws.

BBC 2

6.40-7.55 am Open University.
10.20-10.45 Gharbar.
11.00-11.25 Play School.
1.30 pm Cricket: England v India.
3.10 The Papal Visit—Wales.
5.00 Cricket.
7.10 Wildlife Talkabout.
7.35 News Summary.
7.40 The Ascent of Man.
8.30 Hooked.
9.00 Butterflies by Carla Lane.
9.30 Frost in May.
10.55-12.00 Newsnight.

LONDON

9.30 am World Famous Fairy Tales. 9.45 Wild Canada. 11.00 The Master Builders. 11.25 Paint Along with Nancy. 11.55 The Bubblies. 12.00 Windfalls.

12.10 pm Rainbow. 12.30 The *Communicators*. 1.00 *News* plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Derby Day 1982: Featuring the 203rd Derby Stakes, held in the presence of the Queen Mother. Brough Scott, Derek Thompson, John Oaksey, Graham Goode and John McCririck will be at Epsom with news, tips and latest betting as ITV presents the 2.00, 2.35, 3.35 and 4.20 races. 4.45 Sunny Side Up. 5.15 Mr Merlin.

5.45 News.

6.00 Thames News with Andrew Gardner and Rita Carter.

6.30 The Pope in Britain:

7.30 Coronation Street.

8.00 Secombe with Music.

9.00 Thoroughly Modern Nannies.

10.00 News.

10.45 "Eyes of Laura Mars," starring Faye Dunaway.

12.35 am Close: Sit Up And Listen with Robin Knox-Johnston.

† Indicates programme in black and white

All IBA egions as London except e following times:

ANGLIA

9.30 am bs Lamb. 9.45 Rocket Robin Hood.10 Call It Macaroni. 10.35 The Nred and Barney Show. 11.00 Terza 1.50 *Watoo, Watoo.* 1.20 pm A News. 5.15 Crossroads. 6.00 ut Anglia. 12.35 am Personal Vi.

BORDER

9.30 am S Street. 10.30 Film: "Battle Bene e Earth." 1.20 pm Border News 5 Crossroads. 6.00 Lookaround Wsday. 12.40 am Border News Sury.

CENTRAL

9.45 am Sta Skin. 10.15 Survival. 10.40 Horawn Magic. 11.10 Francis Goya Switzerland. 11.35 Stingray. 1.20 Central News. 5.15 Crossroads. 6.entral News.

CHANNEL

1.20 pm Cha Lunchtime News. What's On Whand Weather. 5.15 Crossroads. 6.00 Channel Report. 10.43 Channel Late News. 12.40 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 9.30 Survival. 10.00 Hands. 10.30 Story Hour. 11.15 *Imperial City.* 1.20 pm *North News.* 5.15 Crossroads. 6.00 North Tonight. 12.35 am North Headlines.

GRANADA

9.30 am The Palace on the Hill. 9.55 Cool McCool. 10.15 Young Ramsay. 11.00 Sesame Street. 1.20 pm Granada Reports. 5.15 Granada Reports. 6.00 This Is Your Right. 6.05 Crossroads.

HTV

8.30 am The Pope in Britain—Pope's arrival in Cardiff and at 10.00 The Pope arrives at *Pontcanna Fields.* 10.30 Sesame Street. 11.30 Joe 90. 1.20 pm *HTV News.* 5.15 Crossroads. 6.00 HTV News. 10.43 HTV News.

HTV Cymru/Wales—As HTV West except: 10.30 am-12.30 pm The Pope in Britain—The Papal Mass. 12.30-1.00; 1.30-1.40; 3.15-3.35; 3.45-4.00; and 4.00-5.30 The Pope in Britain. 5.30-5.45 Y Dydd/Report Wales. 6.00-6.30 The Pope in Britain (highlights). 10.45 *Eisteddfod Genedlaethol Yr Urdd* Llyn Ac Eifionydd. 11.15-1.10 am "Eyes of Laura Mars" (As HTV West 10.45 pm).

SCOTTISH

9.30 am Our Incredible World. †9.50 Wednesday Matinee: "Foreign Correspondent," starring Joel McCrea, Laraine Day, Herbert Marshall and George Sanders. 11.45 Natural Environ*ment. 1.20 pm Scottish News.* 5.15 Crossroads. 6.00 Scotland Today. 12.35 am Late Call.

TSW

9.30 am European Folk Tales. 9.45 A Place of Cloth. 10.10 Spread Your Wings. 10.35 Tarzan. 11.25 Survival. *11.50* The Undersea Adventures of Captain Nemo. 12.27 pm Gus Honeybun's Magic Birthdays. 1.20 TSW News Headlines. 5.15 Crossroads. 6.00 Today South West. 10.47 TSW Late News. 12.40 am Postscript.

TVS

9.30 am European Folk Tales. 9.45 A Place of Cloth. 10.10 Spread Your Wings. 10.35 Tarzan. 11.25 Survival. 11.50 The Undersea Adventures of Captain Nemo. 1.20 pm TVS News. 5.15 Crossroads. 6.00 Coast to Coast.

TYNE TEES

9.20 am The Good Word. 9.25 North *East News. 8.30 Survival. 9.55 Steel 'n' Skin.* 10.35 Stingray. 11.00 Sesame Street. 1.20 pm North East News. 1.25 Where the Jobs Are. 5.15 Crossroads. 6.00 Northern Life. 10.45 North East News. 12.35 am Your *Obedient Servant . . . A Bishop.*

ULSTER

1.20 pm Lunchtime. 4.43 Ulster News. 5.15 Crossroads. 6.00 Good *Evening Ulster. 10.44 Ulster Weather.* 12.35 am News at Bedtime.

YORKSHIRE

9.30 am Sally and Jake. 9.40 Beyond West World. 10.40 The Beachcombers. 11.05 Animated Classics. 11.55 The Undersea Adventures of Captain Nemo. 1.20 pm Calendar News. 5.15 Crossroads. 6.00 Calendar (Emley Moor and Belmont editions).

RADIO

RADIO 1

(S) Ste roadcast (when broa on VHF)

5.00 am As Radi 7.00 Mike Read. 9.00 Simon Bate 1.30 Dave Lee Travis. 2.00 pm Burnett. 4.30 Peter Powell. 7.0 dio 1 Mailbag. 8.00 David Jensen 0.00-12.00 John *Peel (S).*

RADIO 2

5.00 am Steve Jo s). 7.30 Terry Wogan (S). 10.00 y Young (S). 12.00 Gloria Hunnif (S). 2.00 Ed Stewart (S). 4.00 id Hamilton (S). 5.45 News: 6.00 John Dunn (S). 8.00 Al g with Dance Band Days. 8.30 Amo ur Souvenirs (S). 9.15 Frank Cha d (S). 9.55 Sports Desk. 10.00 T *ennard tells* Local Tales. 10.15 Cambridge Buskers. 10.30 Hub Gregg says Thanks for the Mem 11.00 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 This Week's Composer: Tchaikovsky (S). 10.00 The English Concert (S). 11.30 Clarinet and Piano recital (S). 12.20 pm Britten and Bliss (S). 1.00 News. 1.05 Concert Hall (S). 2.05 Music Weekly (S). 2.55 BBC Northern Symphony Orchestra (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.30 Copenhagen Boys' Choir (S). 7.00 Six Continents (S). 7.20 Two Premieres (S). 8.30 On Dangerous Ground. 9.30 Mozart *and Schubert string quartet recital,* part 1: Mozart (S). 10.00 Interval Reading. 10.10 Recital, part 2: Schubert. 11.00 Strains from Moravia (S). 11.15-11.18 News.

RADIO 4

6.00 News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.43 Reading. 8.57 Weather, travel. 9.00 News. 9.05 Midweek: Henry Kelly (S). 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Baker's Dozen (S). 12.00 News. 12.02 pm *You and Yours.* 12.27 Maximum Credible Accident (S). 12.55 *Weather, travel, programme news.* 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 3.47 Time for Verse. 4.00 Youth Rally at Ninian *Park, Cardiff. 5.00 PM: News Magazine.* 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including live coverage of the closing ceremony of the Papal visit at Cardiff Airport; plus Financial Report. 7.00 News. *7.05 The Archers.* 7.20 *Checkpoint.* 7.45 A World in Common. 8.15 See the Players Wel Bestow'd. 9.15 Persona Grata. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Men of Property(s). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Unforgettables. 12.00 News.

RACING

BY DOMINIC WIGAN

EIGHTEEN runners are due to line up for today's 202nd renewal of the Derby, the same number as a year ago when Shergar raced to a 10-length success. However, there the similarity ends. Whereas the Aga Khan's great colt jumped *off an odds-on favourite before* turning the race into a procession, this afternoon's race for the Blue Riband is wide open.

Although a good case can be made for the favourite, Golden Fleece, it is arguable that Jalmood, Peacetime, Persepolis and Silver Hawk all have claims to compare with the Irish colt who will be out to supply Vincent O'Brien with his 14th *English classic victory.* Therefore, Golden Fleece—who will leave the starting stalls at about 3-1 to give his handler his sixth Derby triumph to the day since Larkspur jumped off—can hardly be considered realistic betting value.

Two better propositions at *approaching twice and four* times his odds respectively are probably Peacetime and Silver Hawk each way.

There is no way of knowing whether Peacetime is ready to produce his best after a recent lay off. However, the signs at Goodwood, where the Beckhampton representative made a successful reappearance in the Schroder Life Predominate *Stakes, will have led a great* many observers to think that he can pull off a remarkable hat-trick.

The Nijinsky colt was always going just well enough to land the Predominate despite being short of peak fitness.

Sent into the lead below the *distance, Peacetime needed only* to be kept up to his task with hands and heels by Joe Mercer to get the better of Touching Wood. He meets that improving half-length runner up on 8 lb better terms.

Silver Hawk, the 5-1 2,000 Guineas favourite on the strength of his Ladbrokes Craven Stakes success, was a shade disappointing in the New*market classic.*

However, at about 12-1 he looks at least worth a saver for those, myself included, backing Mercer to gain his first-ever Derby victory.

EPSOM

2.00—Brondesbury***
2.35—Aperitivo
3.35—Peacetime**
4.20—Stay Sharp
4.50—Raconteur*
5.25—Lord Wimpey

Verdict on National Engineering Scholarships: must try harder

BY MICHAEL DIXON

ANDY GRIEVE picked up the vacuum cleaner and rang the doorbell. The prospect of delivering yet another sales pitch to yet another Aberdeen householder did not excite the mechanical engineering student from Heriot Watt University. The sales job was all he had been able to find for his long vacation.

But the householder happened to be an engineer with Sedco, the Dallas-based drilling contractor, which changed things entirely. When Andy left the house four hours later he had a promise that the man would have a word with his bosses. Now Andy spends even his short holidays working with Sedco. He thinks he has been "very lucky, and couldnae be happier."

In his view, it seems, life's only flaw is that it is too short for sufficient concentration on engineering. "I was brought up on a farm with all the machinery. Anything that wasnae working, I always had tae try tae make it go," he said when I called to find out what had happened to Andy and other winners of the National Enginerring Scholarships.

Andy Grieve: "Universities don't go out of their way to pick students who'll be creative engineers"

The scholarship scheme was started in 1978. Jointly funded by government and business, it is intended to encourage young people of exceptional ability to take engineering degrees and so prepare for industrial careers. The winners receive an award of £500 a year in addition to the usual student maintenance grant.

The other seven winners I talked to were as thankful as Andy for the extra money and while not so besotted with engineering as he is, were glad they had taken it rather than a so-called purer subject. The seven are due to graduate from their universities this summer whereas Andy has another year of study to go. Unlike him also, the others have had no similar difficulty during their courses of finding vacation work related to their studies.

Most of the seven about to graduate are on courses specifically directed towards industry, which extended over four years instead of the usual three and require students to intersperse their studies with periods in related work. These enhanced courses also leaven engineering with economics, marketing and other topics with a bearing on management.

John Parker, specialising in civil engineering at Cambridge, has worked on construction sites with Robert McAlpine. He has, however, decided to start his career with a consulting firm.

The other half a dozen have the extra benefit of being sponsored by companies. The sponsors, usually found with the aid of university staff, provide the students with practical training and with stipends ranging from about £340 to £500-plus on top of the £500 scholarship award and the normal student grant.

Martin Fossey, reading engineering with economics and management at Oxford, is on the books of BICC. Shell Oil UK and Tube Investments respectively sponsor Martin Lee and Kit Massingberd-Mundy, both studying mechanical engineering, manufacture and management at Birmingham—a course which relies also on Aston University staff. Neil Curtis, taking aeronautical engineering at Southampton, is linked with British Aerospace.

Diane Williams is sponsored by British Oxygen while doing chemical engineering at Imperial College. Fiona McCracken had planned to go to Bristol University sponsored by Rolls-Royce. When her grades in the Advanced-level mathematics exams turned out worse than expected, both rejected her. But she entered what she says is the "excellently practical" mechanical engineering course at Aston, and has since gained sponsorship from Rolls-Royce and Associates.

In every case the students value highly the practical experience they have obtained. On balance, it seems to have been more useful in illuminating theory taught on campus than in enabling theory to be applied in industrial work. For most, it has taught lessons which have nothing to do with academic concerns. "At first British Aerospace put me on the shopfloor, and I was bored to tears," said Neil Curtis. "But I see now that it taught me a hell of a lot about getting on with people etc. It was very worthwhile indeed."

Although one or two have not yet committed themselves, all are virtually sure to go to work for their sponsoring organisation. To the extent that the winners are bound for industrial careers, therefore, the scholarships' aim has been upheld.

Another gain is that six of the students represent new blood to engineering. Only two have fathers who are engineers—Martin Lee and Diane Williams. She, like Fiona McCracken, thinks she might well have followed the female trend and specialised in arts subjects if she had gone to a mixed instead of an all-girls secondary school. "You can be put off taking sciences if you feel you'll be the odd girl out in a class full of lads," Fiona observed. "In a girls' school, that's no bother."

But it was not the scholarships that persuaded them to take degrees in engineering rather than another subject. Martin Fossey who was considering physics at Manchester might have been partly swayed towards the Oxford course by knowledge of the award. All the rest had firmly decided on engineering beforehand.

Nor are the scholarships organised so as to provide young people with a strong incentive to change their mind in favour of engineering. When they committed themselves to their university course, all the students could know was that they had entered for the scheme. "When you apply for a scholarship you never think you'll win one, you know," John Parker said. By the time they heard they had won, they were well into their first university term.

Moreover only half of them—Fiona, John, Martin Lee and, of course, Andy Grieve — have decided to make their careers in engineering as such. Although the others are bound for manufacturing, their sights are on managerial work.

"Mind you, having studied engineering, they'll have an idea of what it is they're managing," commented Andy. "But from what I see, universities don't go out of their way to pick students who'll be creative engineers. There's a lot of them with brains, to be sure. But I dinna think they'll make engineers. They dinna have the feel for the practical."

So despite the eight winners' thanks for the extra £500 a year which lightens the financial burden on themselves and their families, the scholarships do not seem to be fulfilling their prime purpose. Indeed, if the object is to increase Britain's stock of creative engineering talent, Government's share of the funding might be better spent in other ways.

It could be used, for example, to develop ways of identifying young people with "the feel for the practical" and on giving incentives to more companies to offer constructive holiday jobs. More money could also be spent usefully on improving the generally uninspired careers information on engineering at present available to the schools.

BOARDROOM BALLADS

NOBLESSE OBLIGE

Up at Cambridge, scraped a Two;
Stroked the boat and got my blue;
Wondered what on earth to do,
With Greek and Latin verses;
Slummed it out in Saragat,
Till father told me that was that,
I'd better be a diplomat
And supplement the purses.

★

Sounded decent for a chap;
Commerce really off the map,
Wouldn't fit our kind of cap,
According to the mater;
Pictured some idyllic scene,
Something out of Graham Greene,
In the service of the Queen,
South of the Equator.

★

Met a fellow at the club,
Protégé of Pasha Glubb,
Mentioned Wadi-El-Khebub
As a jolly station;
Phoned some Foreign Office guy;
Idiot suggested I
Had to be selected by
Some examination.

★

Asked the johnny if he knew
Who-the-hell he's talking to
Didn't know his Who's-Who!
Gave him quite a roasting!
Said he didn't care a damn
For who's progeny I am;
Got to sit for some exam
To get a foreign posting.

★

Finished up with the job,
'Spite of being mummy's boy,
Disputing with the hoi polloi
The diplomatic cloister;
Conceding to some tyke from Crewe
The posting out in Malibu,
And having Inland Revenue
Suggested as my oyster!

★

Felt I'd had about enough!
Told the fellow where the stuff
All this bureaucratic guff
For choosing whom they're needing;
Thought I'd pull a bit of rank,
Joined a City merchant bank,
Where they're more inclined to thank
A chappie for his breeding!

Bernard Ramsbottom

Next week: The AGM

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Extrastatutory concessions

I run a small book-keeping and accountancy business as a self-employed person. My first year was to September 30, 1977. On March 13, 1981 I was 65 years old and semi-retired; I reduced my income (a large proportion of my fees came from working for other professional firms, so that I could draw the old age pension still keeping within the earning rule. I have now lost a large part of the income from one particular account and will, therefore, suffer unfair taxation due to the preceding year basis of assessment. I would have liked to continue thereby keeping about £500-£600 worth of fees and asked my Inspector of Taxes if he would accept a closure as at March 31 next, and allow me to return the small future income as casual earnings, but he says he cannot. I enclose copies of the letters and schedules relating to this matter. What do you suggest I do?

We are puzzled by the Inspector's sustained refusal to give you the benefit of concession A20. If you have not already done so, we suggest that you ask the inspector for a copy of the free booklet of extrastatutory concessions (IRI), so that you can check the terms of concession A20. While taxpayers have no right to extrastatutory concessions, regrettably, it is unreasonable for the inspector to decline to give any indication of his reasons for deciding to refuse the benefit of concession A20 in your particular circumstances. Try writing to the District Inspector, marking the envelope and the letter "For the attention of the DI." Concession A20 reads in part as follows: "Where a person carrying on a trade, profession or vocation reduces the scope of his business or his hours of work in order to qualify for a retirement pension under the National Insurance Acts, the assessments on the income of the business will, where this is to his advantage, be computed as if he had at that time discontinued his existing business and commenced a new one."

Avoiding tax

Following the offer for sale published in the FT on April 24 last year I bought some participating shares in the Vanburgh Currency Fund. Shortly after that there were a number of articles in the FT and other papers suggesting that if one elected to receive additional shares in lieu of dividends in such funds, I think because of Fund domicile or registration in Jersey, tax treatment was different. So far as I can recall, it was said that instead of paying income tax on the value of the shares allotted, taxation was as a Capital Gain and liability arose only when the shares were sold or surrendered. Is this so and, if it is, how and where should the shares issued in lieu be entered on the tax return? Should they be shown at all?

If you reread the prospectus, you will see that Vanburgh Currency Fund is not intended as a vehicle for tax avoidance. You may well wish to act upon the recommendation in the prospectus that investors seek local professional guidance on the possible implications of sections 478 to 481 of the Income and Corporation Taxes Act 1970, as amended, if you want to pursue your ideas.

Protection of device

I have invented a plant protection device which seems of universal application and likely to be very saleable. It is so very simple that I think it would not qualify for a patent. I was thinking of offering it to a firm to develop the idea on a percentage basis. To do so it would be necessary to show them the prototype. Any firm could then manufacture it without further help from me. Is there some way I could protect my interests in advance—binding them beforehand, but only if they decided to go ahead with it?

It would be unwise to approach a company with a view to marketing your idea without first securing some protection for the idea. You would be wise to consult a patent agent before concluding that you cannot take out a patent. But if you cannot you may be able to reduce the idea to plans or drawings in which you can claim copyright.

Business premises

As I am in some conflict with the local council for using my house for purposes other than residential and have done so since 1970, and am surrounded by other business premises can you give me a brief summary of the Town and Country Planning Act 1971?

Under the Town and Country Planning Act 1971 a use which is not a permitted use cannot become lawful, however long it has continued, if the use commenced later than 1963. The Act is a major statute and we do not feel able to summarise it for you. You may find useful guide in "An Outline of Planning Law" by Sir Desmond Heap.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Television

The bogey of balance

by CHRIS DUNKLEY

Is British television fairly well "balanced" or does it on the contrary fail perpetually to maintain "due impartiality"? The question is prompted by yet another book from the Glasgow University Media Group (GUMG) attacking television news. After *Bad News* in 1976 and *More Bad News* in 1980 they publish *Really Bad News** this week.

Their argument has not changed. Indeed, if you have read either of the other two books there is no need to read this one which merely adds a few more case studies in order to reiterate the complaints that the mass media select information to fit their *dominant* view, that they support the status quo, and that they use slanted language when discussing unions, the economy and the Labour Party.

Before wading in, it is worth noting that the statutory duties of broadcasters regarding "balance" are not quite as straightforward as many people seem to imagine. The Television Act governing ITV does require that "all news . . . is presented with due accuracy and impartiality" but there is no such requirement in the BBC Charter.

In a typically British way the BBC's obligations rest on a set of "assurances" volunteered in a letter from the BBC chairman in 1964 to the Postmaster General of the day, and publicly reaffirmed by the Board of Governors on January 8 1981. They declare their duty "to provide a properly balanced service" and "recall that it has always been their object to treat controversial subjects with due impartiality."

The GUMG deny that such impartiality exists. They claim that those working in television journalism tend to come from one sort of background, that they share one set of views, that they select a narrow agenda which—for instance—gives disproportionate attention to the difficulties of the British car industry, and that in doing so they use interviewing techniques, a partisan vocabulary, and a method of selection which all favour management and capital and reflect perjoratively on workers and unions.

It is hard to ignore the fact that the faults on which the GUMG complain are glaringly evident in their own work. Reading their complaint about television's "inaccurate and unprofessional journalism" in Chapter VII of their new book few real journalists could forbear to smile at the memory of Chapter I.

That contains the naïve claim that "Sixty eight pounds would represent approximately one day's expenses for a reporter in an ITV company." (Every day? Every reporter? Every company? On every location?)

The same chapter claims that a television news reporter spent a whole week during the "*Winter of Discontent*" combing "every chicken farm from coast to coast" looking for dead chickens to support the theory that animals were *dying from lack of feed*. Unsurprisingly neither the reporter nor the programme is named in substantiation.

But then the GUMG books don't pretend to be other than one-sided, from the selection of subjects to the language used. Though their new book once again devotes much space to the motor industry and television's unrepresentative emphasis on its troubles with consequent harm to trade union images, not a word is said about television's equally unrepresentative concentration on petrol price rises with consequent harm to petrol company images although petrol hasn't increased any more dramatically in price than books or beer or prices generally.

GUMG coverage of the elections within the Labour Party is lengthy and most concerned with the treatment of Tony Benn, although in writing of one programme about supporters of Benn and Healey they say: "The only very clear thing revealed is that the programme makers don't like either group very much."

So do the programme makers, conversely, like the National Front? Or the Right-wing of the Conservative Party? Or even its Centre? We are left to conclude, as before, that the GUMG simply excludes any evidence which tends to disprove their thesis.

That said, I must declare my own position and express a larger measure of agreement with the GUMG's conclusions that might be suggested by my scorn for their amateurishness and their special pleading. They are quote right about the bizarre selectiveness of BBC and ITN News, which both choose to dwell on hostility, disaster, and disagreement and to exclude, for example, virtually all artistic aspects of human activity. (This worries the GUMG as little as it does the news programmes.)

But it is not only the news which is unbalanced. The short answer to my own introductory question is no, British television in general is not well balanced. Many programmes seek to occupy what broadcasters perceive as a central position, but that is quite different from balancing one extreme against another or even one moderately off-centre view against its opposite.

Occasionally balance itself is the main object: in a recent programme about hunting the *hunt saboteurs and the hunters* were both given a say and balance was writ large. But once controversy itself ceases to be the subject, television does often fall unthinkingly into the language of traditional middle-class assumptions.

When *The World About Us* presented a beautifully photographed account of the life of the wild boar in a French forest at the weekend what did the commentary claim characterised the hunting of the animal: traditional bloodlust? Of course not: "Pomp and pageantry." Was the hunt an ugly indulgence of cruelty? Of course not, it was "This necessary cull."

Men and women on the shop floor sharing the 15 minutes of Philip Donnellan's aptly named BBC2 series *A Moment To Talk* (that pub gossip is best kept for pubs is not, for the moment, the point) might reasonably ask themselves how, under the present broadcasting system, they could ever achieve parity with the Duke or Edinburgh who got 25 minutes of prime time to himself on BBC1 to promote his book and *his olde worlde Tory* views in a programme ironically called *A Question of Balance*.

Imagine for a moment that there was an atheist MP who believed organised religion was one of the most dangerous phenomenon ever to afflict human society. Suppose he considered the Pope to be an old ham of a crowd pleaser, dressing in a vainglorious scarlet and gold skirt and hat to impress the credulous masses while indoctrinating them with theories about human relationships and controception which the MP considered not only wicked but downright dangerous.

There is nothing irrational, immoral or illegal about any of that but does anybody suppose for one moment that such an MP would be given equal time to "balance" Norman St John Steven's fawning encomium in BBC1's *John Paul II: The People's Pope*? When the Pope arrived Radio 4's reporter said he was starting "Wh at we all hope will be a happy, peaceful and successful visit." Was Ian Paisley MP offered the right to "balance."

Of course British television is not balanced, but there is nothing astonishing about that. Given the *small number* of channels available to date the compromise of attempting to occupy ground somewhere near *the social, political* and educational centre is a perfectly reasonable way of attempting to fulfil the spirit of those "balance" requirements. There is nothing dishonourable about the news tacitly or even explicitly supporting the status quo; *remembering the scarcity* of outlets it would have been any other approach that would have been wrong, whether the attempt to unsettle the status quo came from left or right.

The only surprise is that the Glasgow University Media Group can go on fooling enough of the people enough of the time to get support for them to trot out the same set of wide-eyed observations about Britain's lack of a Bennite version of the news on television every couple of years.

However the next few years are going to be fascinating. It looks as though cable and *satellite TV will increase the* number of outlets rapidly and there will be a big increase in news even sooner. ITV's breakfast television, BBC breakfast television (which seems to have started already what with Falklands specials and Pope specials) and Channel 4 will all bring expanded news services.

Moreover Channel 4 has already announced plans for *Friday Perspective* which will offer an "alternative" version *of the news perceived by various* people ("trade union groups, blacks, perhaps even small shopkeepers" I love that "perhaps even") guided by a working *party which already includes a* member of the GUMG, a shop steward, and a representative of *West Indian World*—though no small shopkeeper.

Today although the *Morning Star* is available nationwide every morning it is ignored by millions of workers who prefer the Sun, Star, Mirror and other newspapers. My prediction is that left wing interpretations of the news on television will prove no more successful than those offered by the Morning Star, and before that, the Daily Worker, Reynolds News, and the Daily Herald. The British are a deeply conservative lot, whether *reading or viewing*.

* *Writers and Readers Publishing Co-operative £2.95.*

Festival Hall

Cherkassky

by DAVID MURRAY

There was plenty of spectacular playing in Shura Cherkassky's recital on Monday, but Cherkassky pensive was quite as exciting as Cherkassky pyrotechnical. He began with Beethoven's C minor Sonata op 13, the "Pathétique": no false drama, for its grave introduction was forceful only in the sense of carry enormous musical weight, each clause diamond-cut. The harried Allegro di molto, like the Finale, was not hard-driven but fluid and lyrically disconsolate; *the centre of gravity* fell in the Adagio, freshly sung as if no mawkish pianist had ever smudged it.

Mendelssohn's F-sharp minor *Scherzo a capriccio* is little more than a product of polished routine, but Cherkassky enlivened it with quirky diction and sudden switches of gait — jokes, maybe, at the expense of Mendelssohn's frictionless fluency. Then came Bartok's 1926 Sonata, delivered—almost hurled—with a fierce relish in its astringent writing (piano-as-xylophone, set off by dry, insectile graces). It was superbly audible in detail; when Cherkassky allows himself to play more expansively with the Finale (very tight-buttoned this time), this will be a reading of uncommon rewards.

In Chopin Cherkassky's ear was always turned to quiet voices in the middle range. Only a featherlight bass was permitted to the F minor Ballade; in the most hushed passages he discovered extraordinary, haunted sonorities. That he renewed the endless melodic line with endlessly subtle touches can go without saying. Parts of the Polonaise-Fantaisie suggested intimate polyphonic discussion, and the grander stretches were only those same voices a little raised, not overriding climaxes.

Cherkassky relaxed into second-nature brilliance with a party-piece, Josef Hofmann's "Kaleidoscop," turned with shameless panache. Only in Liszt's "Don Juan" Fantasy was that same brilliance too prominent: Cherkassky did marvellous, unexpected things with the development of the "*Là ci darme*" *tunes*, and with some of "Fin ch'han dal vino," but the grip of tragedy obstinately failed to close.

The magic of this overweening piece lies in its preserving that sense of fatality, against the extravagant titivations; but the titivations here were simply too much fun, and the grip relaxed. A splendid evening anyway, with new showers of imaginative sparks in the encores.

Carol Wyatt and Stuart Harling

Grand Theatre, Leeds

Werther

by ARTHUR JACOBS

Domestic bliss is what Werther *craves, envies, and finally shoots* himself because he cannot get. Domesticity frames the passion in Massenet's opera. It is deplorable that in the opening scene of Opera North's new production we do not see, as the score provides, the comfortable bourgeois exterior of the Magistrate's house; *even the garden* is conveyed only by an overhang of geometric branches, looking like patterned macaroni.

In the next scene there is no inn to provide hospitality: the two Sunday revellers unwrap their picnic in the cemetery. Werther's death-scene, instead of occurring in his lodgings, is cheapened and melodramatised by displaying him and Charlotte in a ground-level embrace on the snow-covered public square.

Moreover, the essential German-ness of the location is falsified: The source, after all, is Goethe. In an operatic version translated from French into English, it is absurd that the characters' names should still be pronounced in Frenchified form, with the hero even addressed as "*Monsieur* Werther" (rhyming with "chair").

I had expected better things from that gifted young producer, Steven Pimlott. Saddled willy-nilly (as I charitably suppose) with Maria Bjornson's unsympathetic scenery, he might at least have found a place for duelling-pistols other than the top of a piano.

At least the music makes a powerful effect under the baton of Clive Timms. A newcomer, Carol Wyatt, disappoints as Charlotte, with stiff movement which belies the youthful unaffectedness of the heroine. Like some other Americans who have made their careers in German-speaking theatres, she sings *English badly, and like a foreign* language. There is an unhappy dissociation between her higher and lower registers.

Far more accomplished is Lesley Garrett's unexaggerated and delightful portrayal of the 15-year-old younger sister, Sophie. Charlotte's husband Albert is strongly taken by Stuart Harling and the cast is properly dominated by the Werther of John Brecknock—on Friday a little hard-voiced at *first, but afterwards both affecting* and articulate in a very high degree.

Bargains at the National

The National Theatre is to launch in August a new ticket scheme. Every production it stages from that month, including those that are complete sell-outs, will be given a Bargain Night. Tickets will be sold only on the day of performance from 8.30 in the morning, only over the counter for cash, and limited to two per person, first come first served.

The first Bargain Night is on Friday, August 6 when all tickets for *Guys and Dolls* in the *Olivier*, for *Uncle Vanya* in the Lyttelton, and for *The Prince of Homburg* in the Cottesloe are £2. The NT hopes to be able to keep to this price at bargain night performances for the next 12 months.

A private benefactor, who wishes to remain anonymous, is providing the National Theatre with the difference between the high revenue originally anticipated for these performances and the much lower revenue now expected. The difference is likely to amount to about £50,000 in the current financial year.

Odeon Hammersmith

Ry Cooder

Ry Cooder at Hammersmith on Saturday played the best *concert of popular American* music since Bruce Springsteen at Wembley a year ago, at least technically. The quirky Californian guitarist has surrounded himself on this tour with his recording band and, once again, American musicians prove that when it comes to imaginative *ensemble* playing of blues and soul, rock and gospel, all the form of the musical revolution of the past 50 years, they are unapproachable.

And in Cooder there is, at the heart of the show, a skilled guitarist and attractively cool personality who has an encyclopaedic knowledge, and sympathy with, his national music. For well over two non-stop hours the 10 men on stage dazzled with their technique *and charmed with their relaxed* times. Songs were packaged sometimes in excess of their quality, but if the band had not kept trooping back for encores it would scarcely have escaped the theatre in one piece.

Yet, compared with past Cooder visits, there was a sense of disappointment, at least until you adapted to the new style. *In the past the* appeal has been that of a skilled backing musician gradually becoming a major artist through his uncanny feel for interesting songs from all over the place, performed with amiable laid back individualism. Now he shares the attention with three support singers, all with superb voices, but going through the marionette mannerisms of Tamla Motown soul. Cooder's personality disappears inside a craftily perfected team performance, except when *he is* enjoying his newly acquired sex appeal.

By the end of the musical strengths had overcome most doubts. The humour in songs like "Crazy about an automobile"; the passion in "How can a poor man stand such times"; the careless ease with which Cooder, of right, performs such standards as "Blue suede shoes" and ends with "Working on a chain gang", all *suggest that if he favours a more* sophisticated and stylised approach it must be right.

ANTONY THORNCROFT

Tricycle, Kilburn

Queen Christina

Pam Gems' version of the life of this unhappy, hump-backed monarch was first performed at The Other Place, Stratford, in 1977. If her research is realiable, Christina was an intriguing creature, nothing like the elegant figure of the Garbo legend. But did she really bound through the court in combat boots, or their 17th-century Swedish equivalent, playing surrogate man to her female lovers? On the sensitive question of gender identity, much is taken for granted.

The results is a superficial and *recognisably* 20th-century treatment of sexual politics, appended to a rapid reading of the philosophical preoccupations of post-Reformation Europe. What were the implications of Christina's interest in Galileo? Why did she wish to become a Catholic? Too many subtleties are assumed, too many banalities are painfully explained. Despite competent dramatisation and the occasional revealing encounter, the play chugs along without excitement.

Nevertheless, the evening is not wholly without interest or pleasure. Chrissie Cotterill makes a bold stab at the Queen, and Paul Dart's splendid cream and white design lends an air of the grand occasion.

This is one of the few recent productions to be launched by the Tricycle, and it amply demonstrates the potential of *the fine, traditional, well-proportioned space.* Pam Brighton directs the action through a series of stylish tableaux, and there are some startling and *even touching moments, despite* the unsatisfactory artistic whole.

ROSALIND CARNE

46th Street Theatre, New York

Nine

by FRANK LIPSIUS

The distinctiveness of *Nine* seems hardly calculated to guarantee its success. The story of an Italian film director struggling to find a plot to satisfy a nagging producer, it is musical that takes place largely in the director's head. And what is not in his head takes place in a white-tiled Venice bathhouse crowded with two dozen characters who stay on stage the whole of the first act. In addition, all the costumes are black, and worn by the 21 women who surround the director.

These elements militate toward drabness and predictability only because they constitute the major attractions of most American musicals, while *Nine* goes after bigger prey and actually attempts, with considerable success, to make the characters interesting and to relegate the trappings to the *periphery*.

It is taking quite a chance, but Arthur Kopit's book and Maury Yeston's music and lyrics elicit sympathy for all the antagonists surrounding the director, who is played with panache and an ever-present quizzical expression by Raul Julia.

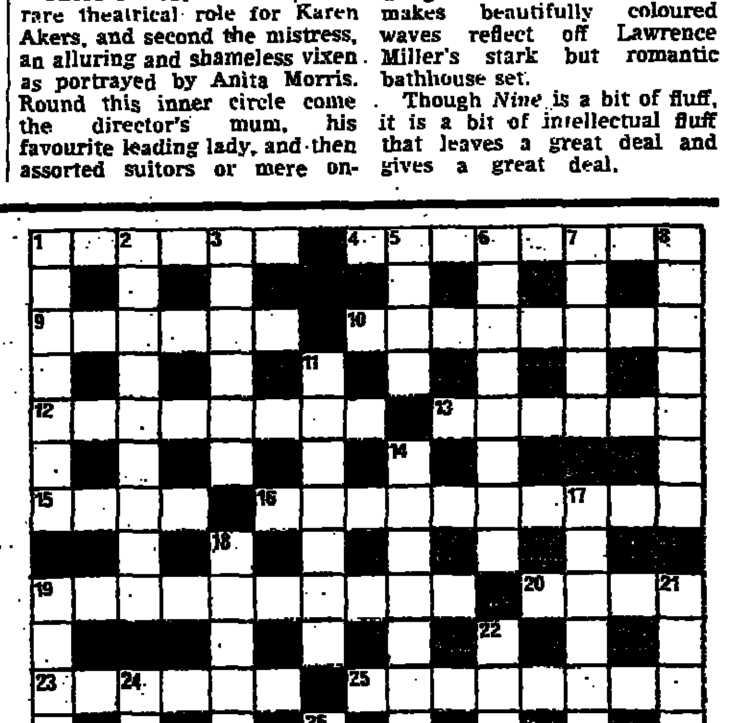
There is first the wife, in a rare theatrical role for Karen Akers, and second the mistress, an alluring and shameless vixen as portrayed by Anita Morris. Round this inner circle come the director's mum, his favourite leading lady, and then assorted suitors or mere onlookers including the film producer, played by Liliane Montevecchi, who does a rousing number about her *days, or rather nights*, in the Folies-Bergère, and her assistant, a professorial-looking, fast-talking snob in the person of Laura Kenyon.

More than anything, *Nine* is a celebration of random creativity. Every scene has something appealing in it, usually the character who gets to stand on his white-tile pedestal and make the effort to be noticed by Guido Contini, the director. Never mind the failure to give some meaning to the title *Nine*, which obviously refers to the step after 8½ since this is the musical of the Fellini film. Never mind that the long *sequence* in the second act meant to portray the film he is making is just as bad as the critics say it is. At least it gives an amusing pastiche of *various Fellini films* with enough costume changes to make up for the uniformity of the first act.

Director Tommy Tune has assembled an outstanding cast to bring this difficult work off, including not only the actors but also costume designer William Ivey Long and lighting designer Marcia Madeira, who makes beautifully coloured waves reflect off Lawrence Miller's stark but romantic bathhouse set.

Though *Nine* is a bit of fluff, it is a bit of intellectual fluff that leaves a great deal and gives a great deal.

F.T. CROSSWORD PUZZLE No. 4,886



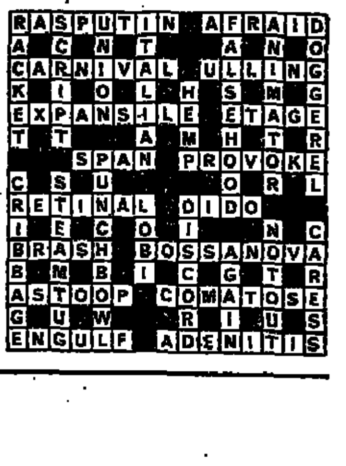
ACROSS

1 One intent holidaymaker? (6)
4 One given time (8)
9 Howzat? (6)
10 Saw about 50 were insulted (8)
12 Men put arm in clothing (8)
13 A portion each (6)
15 Weak person died—rest in peace (4)
16 Killjoy mars the drink (10)
19 Unrealistic night-shift worker? (10)
20 King of football (4)
23 Declare in court legal arrangement by Eric initially (6)
25 Vehicle I dropped disappeared completely (8)
27 Unusual novice in this hold (8)
28 Part of the body some use for worship (6)
29 Very determined having worked out the clue again (8)
30 Arranges platforms (6)

DOWN

1 Many recorded that it was jammed (7)
2 Leave for confinement in this hospital (9)
3 The breadwinner's money is deserved (6)
5 But is it enough bread to go round? (4)
6 A director or what he might do? (8)
7 Inter-changing compound (5)
8 Support eastern theologian in the most revolutionary (7)
11 What the dentist might do with opening a temporary substitute (7)
14 Sack one who goes to blazes (7)
17 Where to get one's hat ready-made (3, 3, 3)
18 An oil-rig turns out to be the first (8)
19 Letter opener (4, 3)
21 Give a talk now on clothing (7)
22 Order 21 (6)
24 Birds' frolics (5)
26 Song of joy (4)

Solution to Puzzle No. 4,885



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The terms of peace

BRITISH FORCES now appear poised to achieve a military victory in the Falkland Islands, although at a possibly high cost in terms of human lives to both sides. The casualties at Goose Green and in the other preliminary battles in the last few days should be a warning that even in small wars relatively large numbers of people can be killed. There is also, as the commanders in the field undoubtedly do not need reminding, the element of the unpredictable. Even the best-planned operations can go awry.

Yet if, as even some Argentine sources now seem to admit, British forces are approaching a position of clear military superiority, both sides need seriously and urgently to consider what happens next. The British hope has always been that in the last resort the Argentine troops on the Islands would surrender; they have not yet done so in any great numbers, or not without first putting up a fight. Does the British Government and does the Argentine Government want a fight to the finish in which, though a British military victory may be secure in the end, the casualties could run into thousands and there would still be the problem of lasting enmity between the two countries and therefore no safe solution for the Islands?

Supervision

We would not suggest that there should be anything like a cease fire *in situ*. But we would suggest that the time has come for another statement of aims by the British Government.

This needs to be made in two parts. The first concerns the short-term. There should be an announcement that since British forces have now established themselves, they are ready to facilitate Argentina's withdrawal. The statement would have to be detailed: it might say, for instance, that neutral ships would be allowed into the Islands to take off the Argentine troops. There might have to be some outside supervision. But the point is that if arrangements like this are not worked on now, and the possible methods of withdrawal are not made known to the Argentines, there might be no alternative to the bloody final battles we wish to avoid. It is prudent to offer a way of retreat in advance, even if in the end it is not taken.

Reconstruction

A second British statement needs to lay down the Government's thinking about the longer-term future of the Islands. Clearly there does need to be, as Mrs Thatcher has said, a period of reconstruction, especially since some of the reports of the way the Argentines have treated the Islanders are not encouraging.

Yet this period should be short—perhaps the six to 12 months mentioned by Mr Francis Pym, the Foreign Secretary. What the Government needs to make unmistakeably clear is that it is not seeking to return indefinitely to the *status quo* ante.

The *status quo ante* is not feasible as a long-term policy, not so much because of the financial and military problems associated with a permanent garrison—though these would be considerable—but because the economic development of the islands and the security of the islanders can only be achieved in co-operation with neighbouring countries.

There is no realistic way in which the islands can continue to be run as British territory if the countries in the region are hostile to it. Imagine an offshore Falklands oil rig, for example, being prey to Argentine forces. There is also the general question of the need to maintain relations with Argentina and the rest of Latin America.

Preference

Our own preference has always been for UN Trusteeship, but there are other possibilities such as the lease-back to Britain following the ceding of sovereignty to Argentina that was being discussed before the crisis. The essential point, however, is for the Government to establish that, after a short period of restoring order, it is ready to negotiate about the future.

Painful progress in Spain

SPAIN HAS passed an important milestone on the road from dictatorship and isolation into the world of the modern West. A Spanish representative will take his seat at the table when the ministerial council of Nato meets in Bonn on June 10.

The admission of Spain to the alliance is a welcome event, but must not cloud one's view of the many daunting obstacles in the way of the country's progress from Francoism. The old guard is still very much alive in the political and military establishments.

In Madrid a court martial is about to pass judgment on the generals and other officers accused of complicity in last year's attempted coup against the democratic Government. Harsh sentences would aggravate the dissatisfaction of many officers with the present condition of Spain. But if the impression is given that plotters have been allowed to get off too lightly, the standing of the regime would be impaired among the people.

Restiveness among the armed forces completely overshadows present-day Spanish life. Politicians keep an eye firmly fixed over their shoulders on the soldiery. The fear of a coup is ever present. Joining Nato was intended to reduce this danger by giving the army the task that an army is supposed to undertake, the safeguarding of external security.

Rehearsal

But old ways die hard. At the best, the process will require time. At worst, the examples of Turkey and, in the past, of Greece, show that an army can be within Nato and yet involve itself in politics.

Susceptibilities among the military will have been enhanced by this month's Socialist triumph in the elections to the new regional Parliament of Andalusia. About a quarter of the Spanish electorate live in that backward province, so that the election may have turned out to be the dress rehearsal for the general elections due by next spring.

In Andalusia and at national level the Socialists have adopted a course of cautious moderation to avoid arousing tempers. They have firmly rebutted the pretensions of the Communists to a share of power in Andalusia. That pattern will be repeated if the Socialists, as is possible, come out on top in a general election. They will lean towards the Centre rather than the Left.

A Socialist participation in government, should it come about, should not blunt the second prong of Spain's advance into the Western world, the application to join the European Community. All Spanish political parties want Spain to join. This paper has always supported that view, but one must not be blind to the difficulties—both for the Community and for Spain itself.

Democratic

A bloated bureaucracy will be hard put to it to deal with the needed adaptation to EEC membership. The efficiency of Spanish industry, especially of its overseas marketing, leaves much to be desired. The negotiations themselves are proceeding only slowly.

These many challenges call for no less than an overhaul of Spanish power structures and, indeed, of Spanish society. It is not something that can be achieved in a day, but it cannot be achieved at all without a period of firm government—not as the dissatisfied officers want it, but in clearly democratic fashion.

It is doubtful whether the present minority Government of the Union of the Democratic Centre under Sr Leopoldo Calvo Sotelo can provide that. The party was mauled in the Andalusian and other regional elections and has lost support on both left and right. The rump is divided between those who would look for friends among Sr Manuel Fraga's Popular Alliance, tarred though it is with the Francoist brush; and those who incline towards support from the Socialists.

Encouraged

Whichever alignment of democratic forces emerges will have to tackle firmly the task of modernising Spain. Nato membership and the shock of membership in the EEC, when it comes, are not enough to jolt Spain automatically into the modern world. The soldiers must be encouraged to concentrate on the professional opportunities that Nato offers them. Industry and the economic infrastructure need to be overhauled. The risks may be great, but they must not be shirked.

THE VERSAILLES SUMMIT

The West struggles to agree

By Ian Davidson, Foreign Affairs Editor

THE eighth economic summit which opens in the Chateau of Versailles at the end of this week is likely to be marked more by the grandeur of the setting than by the drama of the decisions which may emerge from the two and a half days of discussions.

Indeed, most indications suggest that no decisions of any major importance will be taken. The seven leaders will unburden themselves of their national complaints and anxieties, in their respective languages; some study groups will be set up; and the proceedings will be wrapped up in a communiqué which speaks warmly of economic growth and trade liberalisation, but sternly of inflation and unemployment.

The one constant of these affairs is that they appear to have minimal impact on national perceptions and national policies. Last year in Ottawa, President Reagan mollified the Europeans a little with his prediction—it was certainly not a promise—that U.S. interest rates would shortly come down; no doubt he will repeat his prediction later this week, though the Europeans may well be less easily mollified.

Last year, the Europeans may have thought that they had persuaded the U.S. Administration to think again about its policy of not intervening in the foreign exchange markets to stabilise the dollar. In practice the policy has remained intact, but this week the U.S. will offer to participate in a study to examine the effectiveness of exchange rate intervention.

Also, last year, the Europeans agreed to a wide-ranging study of the implications of East-West trade. Whatever the outcome of the study—it was to be conducted in the ultra-secret Cocom committee in Paris—the only thing that has changed in the long-standing polarisation beween the Reaganauts and the West Germans on this issue is that the Americans have started playing footsie with the Russians for a new long-term grain agreement, and the question of East-West trade is not formally on this week's agenda at all.

Last year, the Europeans may have thought they had succeeded in persuading the U.S. to soften its hard-line position on such North-South issues as the proposed "global" negotiations with the less developed countries within the United Nations, or the idea of a special financial mechanism for promoting energy development in the Third World. In practice, the trans-Atlantic gap seems to have remained virtually as wide as ever.

On the other hand, the very fact that the summit is taking place has had, in advance, some effect on Japanese trade policy. Last year Mr Zenko Suzuki, the Japanese Prime Minister, maintained such a low profile that he managed to avoid being pilloried by his six colleagues. It remains to be seen whether the eight-point trade liberalisation package, announced last week in Tokyo, will be deemed to have gone far enough when Mr Suzuki again confronts his colleagues in the Galerie des Glaces.

Without expecting any concrete decisions, the French are tentatively hoping that there could be some kind of consensus on the need for concerting policies between the three major currency areas—the dollar, the yen and the European Currency Unit (ECU)—as a preliminary step towards a medium-term strategy for stabilising interest rates and exchange rates, and thus for promoting economic growth.

The Americans, too, are interested in policy co-ordination—but they have something rather different in mind. The term Reagan officials like to use is "convergence," by which they mean the adoption by all other countries of the toughest possible anti-inflation policies, reinforced by the pressures of multilateral surveillance.

Last month, Chancellor Helmut Schmidt said: "These (American) interest rates must be brought down in the interest of the world economy." But barely a fortnight ago Mr Donald Regan, the U.S. Treasury Secretary, reiterated the familiar American view: "We believe the impact of our interest rates on Europe has been considerably exaggerated. High foreign interest rates have not simply been passive reactions to U.S. monetary policy and interest rates. They are mainly the result of events abroad like past inflation performance, persistent inflation *expectations*, and the large budget deficits and external financing needs faced by some countries."

If the Americans seem likely to go on resisting the familiar demands of the Europeans, they will also be pressing for the strongest possible stand against growing protectionist pressures. In the hope that they can use the Versailles summit to give political impetus to the ministerial meeting of the General Agreement on Tariffs and Trade in November, they will urge that the GATT remit should be enlarged to include services as well as visible trade, and should be strengthened to contain distortions in agricultural trade.

However, since the continental members of the European Community have resisted their treaty obligations to liberalise financial services within the Community, and since they have just given a spectacular demonstration of their unwillingness to reform the common agricultural policy, it is not likely that the Americans will get much joy on either count.

But it is *obvious* that there is much more at stake in the Versailles summit than an economic *dialogue des sourds* between ideologists of opposite and irreconcileable persuasion. In the first place, Francois Mitterrand is doubly anxious that this summit should present an appearance of unity to the outside world, not just because he is presiding over it, but because he believes that if the West appears to be in disarray, *the credibility of its economic* and political institutions, the credibility of its claim to stand for growth and equity, and ultimately the credibility of the alliance, will be jeopardised vis-a-vis the Third World and the Eastern bloc.

For Ronald Reagan, too, the formal economic agenda is less important than a whole series of wider political considerations. After all, the Versailles summit is only one element in an intensive European tour which takes in a number of capitals, and whose other high point, in a formal sense, will be the Nato meeting in Bonn next week.

His top priority, in public relations terms, will be to project himself as a man of peace, and to correct the bellicose image which dates back to his election campaign and the early months of his presidency. No doubt he will witness a number of vociferous disarmament demonstrations; but he can point to the fact that negotiations on European-based nuclear weapons have already started with the Russians, that negotiations will start soon on strategic nuclear missiles, and that his administration has now formally undertaken to observe the limits negotiated in the second Strategic Arms Limitation Treaty, even though that treaty remains unratified in the Senate.

> 'It is hard to believe that the Falklands crisis will not cast a long shadow over the political discussions'

Whether these undeniable shifts in the U.S. position, and heavy exposure of the President in the European media, will be enough to create a more favourable image for a man who remains inexperienced and unsophisticated in international affairs, and who has yet to disprove the charge that he is simple-minded, is perhaps another question.

The heart of the problem is that the whole of Reagan's foreign policy has been constructed on the premise of anti-Sovietism, in an effort to rebuild a simple bi-polar world; whereas most people in Europe ceased to believe in such a bi-polar world 10 or even 20 years ago, and recent events have dramatically—alarmingly, even—reinforced the European view.

The Reagan Administration has made heroic efforts to build a strategic consensus in the Middle East, in the belief that *all other dangers to the stability* of the Gulf and the security of oil supplies from the Middle East must be subordinated to the direct military threat from the Soviet Union. Whatever the plausibility of such a Soviet threat, it now looks remote compared with the dangers which could follow Iran's successes in its war with Iraq.

The long-term durability of the Khomeini regime is debatable, but in the short run the fervours of a triumphant Shi'a theocracy could pose a much more serious danger to the stability of the regimes in the peninsula than Russian tanks and guns.

America's chosen instrument for confronting encroachments of Soviet military power outside the Nato area is to be the Rapid Deployment Force. But even after all allowance has been made for the much greater size of the American military machine, the Falklands crisis has vividly dramatised all the difficulties which confront any attempt to project military power a long way from home, and all the vulnerability of a surface fleet in the age of missiles. Moreover, any attempt to project American military power in the Gulf region would encounter one major complication which the British Government has so far been spared in the south Atlantic: the involvement, direct or indirect, of a multiplicity of local States.

The irony is that the original draft of this year's British defence white paper — mercifully delayed by the Falklands crisis — was the first for several years not to contain a ritual assertion of Britain's commitment to maintain a military capability for use outside the Nato area; Mr John Nott, the Defence Secretary, does not believe in this commitment.

When the White Paper does eventually appear, that omission will no doubt be repaired. But in the meantime, about half of the entire British fleet is being deployed out-of-area, to the point where the Pentagon is becoming concerned at the neglect of Britain's traditional responsibilities in the north Atlantic.

Despite American hopes to the contrary, it is hard to believe that the Falklands crisis will not cast a long shadow over the political discussions in Versailles and Bonn. The more the Anglo-Argentine quarrel is confined to a purely military dialectic, the more likely it is that the British Government will find itself saddled with an on-going military burden in the South Atlantic. When that burden is added to the cost of replacing lost ships and aircraft, it is inevitable that the Falklands crisis will precipitate a renewed controversy about the kind of defence strategy that Britain needs, and about the costs of providing it.

Unless Mrs Thatcher believes that a *military victory* in the Falklands will give her carte blanche for defence, regardless of its effect on the rest of government spending, she is bound to expect another round of domestic argument on the respective claims of the Navy, the British Army in Germany, the air defence of the UK, and of the Trident strategic deterrent.

That argument, in turn, is bound to rekindle debate about the nature of the Soviet threat and the appropriate response to it.

On the one hand, America's new-found readiness to engage in arms negotiations with the Russians is offset by a desire to wage economic war against the Soviet Union, through a rationing of western export credits—an approach which will find no favour in Europe.

On the other hand, any significant reduction in Nato's reliance on nuclear weapons will correspondingly increase the pressure for a more convincing conventional defence in Europe.

Finally, the Iran-Iraq war and the Falklands crisis raise spectacular question marks over the lunacy of selling sophisticated arms to the Third World; the West has sown the wind and reaped the whirlwind, and the Middle East has become a much more dangerous place than it was ten years ago.

None of these anxieties will be dispelled at this week's Versailles summit, whatever the appearances of unity masterminded by Francois Mitterrand, nor at next week's Nato meeting. But it is perhaps symptomatic of the difficult and dangerous times we live in, that when western leaders meet the really big issues have to be relegated to informal conversations on the sidelines.

Men & Matters

Wage war

No less likely a general ever crossed a Rubicon than Vittorio Merloni, head of Confindustria, the Italian employers' association, which yesterday challenged the country's trade unions by unilaterally revoking the 1975 Scala Mobile wage indexation agreement.

The man who announced the end of this hitherto sacrosanct compact to a hastily-convened Press conference is outwardly no Julius Caesar. He is, rather, a good-natured family man, on the shy side.

Aged 49, Merloni, is a slight, bespectacled figure with a boyish shock of dark hair tumbling over his forehead. In the early months of his command, colleagues recount, he could lose pounds in weight because of nervousness before a major speech.

Since then, however, he has won wide respect and his character, at least as far as negotiations with Italy's dilatory and wordy Government and unions are concerned, has perceptibly hardened.

He is emerging now as the perfect mouthpiece of the new, tougher mood of Italian industry: not as reflected by the giants of the coporate establishment like Fiat or Pirelli, but by the myriad small and medium-sized companies which have been the mainstay of the economy in recent years.

Before his appointment, Merloni was managing director of the family household appliances and furniture company Ariston, based in Fabriano in the unfashionable Marche region of Central Italy.

The company was founded by his father Aristide and today has a turnover of some £200m. But even though Ariston now sponsors the mighty Juventus football team of Turin (owned by Fiat's Agnellis) it has never lost its down-to-earth provincial flavour.

That inherent commonsense broke through the diplomatic veneer of yesterday's press conference. "After all," said Merloni, explaining Confindustria's exasperation with the union legions, "it is not chatter we are exporting to West Germany, but goods." And, he added with a shy smile, "a good few electrical appliances as well."

Stock taking

Johannesburg stockbrokers, already suffering from a steep drop in trading volumes over the past few months, might have been completely out of business this week without a helping hand from parliament in Cape Town.

No one on Diagonal Street appeared to notice until a few weeks ago that the number of brokerage firms was rapidly shrinking to the minimum of 40 allowed by the Stock Exchanges Control Act. Through a series of mergers, takeovers and a couple of spectacular failures, the golden city's stock-broking community slid from over 120 firms in 1970 to just over 40 last month.

Another couple of mergers, due to take effect yesterday, would have pushed the number down to 39. In terms of the law, the JSE would have ceased to exist. But a Bill reducing the minimum number of firms from 40 to 30 was rushed through Parliament last week, allowing the exchange to open as normal yesterday after the long weekend.

Some stockbrokers might have been happier if they did not have to come to their offices. Daily trading volumes are now at roughly a third of their levels during the 1980 boom and it is an open secret that partners at some of the remaining 39 firms are worried about the fate of the Porsches and trout farms bought over the past year or two.

Diagonal Street Jeremiahs are wondering how long it will be before the Stock Exchange has to ask Government to cut the minimum legal membership to 20.

Status-quo?

The Transport and General Workers' Union may have a notorious concern for the status quo but at the Jack Barclay Rolls-Royce garage in Battersea it has gone too far. About 60 service engineers, paint sprayers and panel beaters have gone on strike to bring back the golden days of the chauffeur.

That at least is Ray Pope, managing director of the garage, describes it. "We've been trying to change the hours of work from 7 am to 3.30 pm to the more normal 8.30 am to 5 pm. The fact is that most chairmen and chief executives are owner-drivers these days and they don't have chauffeurs who can pop in during the middle of the day."

The men of the TGWU are objecting to the inexorable march of socialism by refusing to work the new hours—and also giving two fingers to a 5 per cent pay offer.

"The Rolls is an important part of our client's style of life and if they can't get same-day service they're going to go elsewhere," said Pope.

The dole queue may soon be an important part of the 60 workers' style of life. They were all given the sack last night.

In and out

There is more than a ring of irony about the news that Lech Walesa, the Solidarity union leader has been incarcerated at Arlamowo, a hunting reserve i nsouth eastern Poland.

The reserve was enclosed and developed in the 1970s for Poland's rulers and for tête-a-têtes with distinguished guests like Giscard d'Estaing who hunted there. All of course at the expense of the local farmers whose livestock suffered from the wild boar bred to provide a leisure pursuit for the visiting dignitaries.

With the coming of Solidarity and the general commotion in the country, the local peasantry decided they would stand it no longer and at a sit-in protest in the winter of last year, demanded the estate's residents be curbed.

Walesa himself, on a visit to the area, tried to get into the estate—but he was shut out and later photographed gazing into the reserve across firmly closed gates.

Now he is inside, where according to Jerzy Urban, the Government spokesman, he has better conditions than in the house in Otwock near Warsaw where he has been held since December.

All small comfort for Piotr Jaroszewicz, the former premier, who had the Otwock house restored for his own use and supported the Arlamowo development. Jarozewicz has been interned too.

Thin and think

Though many, no doubt, would hesitate to take advice from former President Richard Nixon on how to achieve success in politics, it seems to me that the recipe he offers Senator Edward Kennedy might well be followed with advantage by other politicians.

Kennedy, says Nixon, will win the Democratic presidential nomination in 1984 provided he "loses 20 pounds ... and gets some new ideas."

Observer

June 2 1982

BRITAIN'S LOCAL AUTHORITIES

The battle of the dustcarts

By John Lloyd and David Goodhart

THE 216 dustmen employed by Wandsworth Council in South London will decide today whether the country's most bitter and violent dispute over "privatisation" is finally to come to an end.

Union negotiators have accepted a secret package which they will recommend to the dustmen, but it is far from certain that they will accept. The dustmen have now been on strike for seven weeks in protest against the Conservative council's plans to contract out refuse collection, as well as street cleaning, to a private company.

Emotions have run high. After a tense council meeting last week a 55-year-old dustman screamed at a councillor: "I've worked for you for 35 years—and now you're just going to sell my job." He then lashed out at the councillor, fell over and was taken ill.

The backcloth of violence and intimidation — including the blowing-up of six refuse carts—has been mainly directed at the temporary refuse collectors, but Conservative councillors have also had their share of threats.

The violence shows the extent to which all sides see Wandsworth as a test case. Mr Peter Fox, chairman of Pritchard Industrial Services, the company doing the boroughs street cleaning, says: "It's all very well privatising refuse in a quiet, enclosed little place like Eastbourne. But if we can do it in Wandsworth—we can do it anywhere."

The company has promised to cut the annual refuse bill by £¾m to £2¼m and Mr Fox is well aware that beyond Wandsworth there is also a £440m-a-year local authority cleaning market.

The local unions see it as a crucial battle, too. They have organised London-wide marches and meetings and have got intermittent solidarity strike action from the Wandsworth staff unions.

In fact, however, "privatisation" is the wrong word to describe the present series of initiatives in local government. What has happened is that a few, Conservative - controlled councils have *contracted out* some of their services to private companies while retaining statutory *responsibility* for them.

More often, however, despite the deliberately orchestrated fanfares of publicity, councils have not even gone that far: instead they have used the threat of contracting out as a *means of wresting productivity* gains—often very considerable *gains—from* existing labour forces.

Southend is, for all practical purposes, the trail-blazer. Private contracting in local authorities had all but disappeared by the 1950s. Thus the decision by Southend Council to move out of direct service provision was a real innovation.

Mr Brian Clarke, the borough's engineering director, says that six years of negotiations with the 250 cleansing staff had produced no significant improvement in deteriorating productivity.

At the root of the failure was a problem common to many councils. Southend's cleaning was done on the "task and finish" system — that is: a set job had to be completed rather than set hours worked. This system was widely adopted in the 1950s, however, as cleansing technology improved—as refuse wagons became larger, compacting rubbish more effectively and requiring fewer journeys to tips — so the task became shorter.

"Men were finishing at one o'clock after five hours' work. They were then going on overtime for any extra work. That *was not cheating on their* part —it was the way the system worked," says Mr Clarke.

In May 1980, the Tory-controlled council called a halt and announced its intention to seek tenders from private contractors. Here the political background came into play. Southend was and is securely *Tory:* the *local* party was strongly pro-Government and the Government was powerfully in favour of contracting out all kinds of services. The time seemed ripe.

The contract was won by *Exclusive.* The company and the council claimed savings of £500,000 a year. But the Labour opposition on Southend Council, and the unions, claimed the savings were illusory.

The savings issue is only one *of those used by Southend's* critics. The Trades Union Congress, which has mounted a strong campaign against contracting out in conjunction with the local authority unions says that:

- *standards of service could* fall;
- prices could rise once councils sell off capital plant and place themselves in contractors' hands;
- wages, conditions and union *representation among* the contractors' workers are worse than under direct labour.

The unions are extremely concerned at the implications of "contracting out." But if it *does catch on,* the National Union of Public Employees—the most militant union in the Wandsworth dispute — could lose a large slice of its membership. The General and Municipal Workers' Union—after a decent interval—might start recruiting in private companies. But it, too, is worried about job losses.

It is labour inefficiency—"custom and practice"—on the dust carts and elsewhere that the private companies are aiming at. Mr Fox of Pritchard admits that things have improved recently in some authorities. "But how often do you see a dust cart out after midday?" he says.

Mr Mike French, secretary of the Wandsworth joint shop stewards committee, concedes that there is room for improvement. "Last year we negotiated savings in costs of about £380,000 involving the loss of 30 jobs and nine vehicles—so no one can accuse the unions of not playing their part," he says.

The direct labour force in the Wandsworth mechanical workshops has just beaten off a number of private tenders after agreeing to changes in working practices—but a private company would have had to carry enormous overheads. The dustmen are more vulnerable.

But while the struggle over the contracting out of refuse collection has been raging, Pritchard has already been *emptying 400 public litter bins* and sweeping 1,000 miles of pavement in Wandsworth.

It is difficult to judge the success of the operation after only four months—especially with a dust-strike hiding many of Wandsworth's pavements under mountains of rubbish. But if the postbag of the local weekly papers is anything to go by, Pritchard has been a success. The Conservative council is pleased, too.

The company says it has signed a five-year contract for £4.5m which will save the ratepayer £2m. "It's a stiff contract and we certainly won't be making much profit in the first few months," said Mr Fox. Union fears that contracts will be bumped up after a year or two are unfounded in Wandsworth where the contract is directly linked to the Retail Price Index.

But concern about job losses is justified. Pritchard's aims for a workforce of 63 on street cleaning and although the company is still employing more than 70 that is already fewer than the 95 the council used to employ.

According to non-union Pritchard employees, work rotas have been changed at very short notice and one employee claimed that there was no company sickness benefit for 12 months.

But he was pleased enough to take home about £125 a week (£90 basic plus performance and attendance allowances). Mr *Eric Meecham, managing director* of Pritchard Industrial Services, denies that the company is anti-union—indeed he says his own father was secretary of the South Wales NUM.

"We can more than match the terms and conditions of the council and we also give our people a real career structure," he says. However, there is little overtime and no index-linked pension, either. Pritchard has increased labour efficiency by ending the old "task and finish" system by which workers would finish their given task and then go home. "We make sure that the task fills a proper eight hour day," says Mr Meecham.

Pritchard has broken down the artificial divide between sweepers and drivers, he claims, by introducing the idea of "community cleaners" who get to know a given neighbourhood. If that sounds like a cheap publicity stunt, one of the two *women sweepers hired by* Pritchard said she had never had such a friendly reception in a job.

Trevor Humphries

In Wandsworth, a protester is carted away

U.S. Interest Rates

Why there may not be any relief this year

By Henry Kaufman

DURING THE post-war period, various of the investor groups in the U.S. have come to the fore to play major roles in financing the U.S. Treasury deficit. This was particularly true in the latter half of the 1970s when the budget deficit began moving higher on an irregular basis.

Among these groups, commercial banks and other financial institutions, households, foreign investors and even state and local governments have *rotated in one combination or* another in assuming the financing of a large part of the deficit. Up until now, one of the principal roles in the classic pattern of U.S. finance over the course of a business cycle was played by commercial banks. As the economy went through a recession, government revenues would fall, expenditures—mainly unemployment related—would rise, and the budget deficit would widen. In a timely synchronisation, the commercial banks, with their reserves expanding because of the aggressive easing by the Federal Reserve and with their business loan demand weak, would reliquefy their portfolios through larger purchases of Treasury *securities.* This rebuilding of liquidity in the banking system acted as a restorative for the economy, providing an important base for financing the next recovery. During the period from the recession on through to the recovery peak, commercial banks would reduce their Treasury purchases, or undertake outright net liquidations, and the burden to finance a budget deficit, which had been made relatively smaller through increased revenues to the Treasury from higher business activity, would fall to other investor groups whose money flows had risen.

The dimensions in U.S. finance over the past few years are revealing.

During the pronounced recession in the mid-1970s, for example, the Treasury's budget deficit to be financed in the private sector soared from $11bn in 1974 to $76bn in 1975 and $59bn in 1976. Commercial banks, *which had liquidated* $4bn net in U.S. Treasury securities in 1974, were net buyers, in replenishing their liquidity, of $30bn in 1975 and $18bn in 1976, representing 39 per cent and 31 per cent, respectively, of the deficits in those years.

Foreign investors, mainly for the entirely different reasons of recycling trade surpluses, were *sizeable buyers of Treasury* issues in 1975 and 1976, at $8bn and $12bn respectively and their net investing subsequently continued to rise to $31bn in 1977 and $28bn in 1978, coincidentally at a time when commercial *banks were again liquidating as* the business recovery gathered momentum.

Subsequently, in 1979, when the private sector was financing a deficit of $31bn, householders were prominent among investor groups by stepping up their purchases to $35.9bn while foreign investors and commercial banks were net liquidators of $13.5bn and $400m respectively. During 1980, a year marked by a quick sharp recession, commercial banks resumed their buying of U.S. securities.

Banks and investors who normally finance the Treasury deficit face a liquidity squeeze which will starve U.S. capital markets and lead to more crowding out than ever before.

That year marked the first since 1976 that the "nonbank" financing sector—in particular, the state and local retirement funds, private non-insured pension funds and credit unions, *among others—were prominent* in financing the deficit, being responsible for $32bn, or 43 per cent, of the deficit.

In the light of this background, what do the prospects of U.S. Treasury finance seem to be? The scale of the problem is awesome. At present I estimate the Treasury's deficit to be financed in fiscal 1983 at $180bn. That estimate may seem conservative to many. In the absence of any deficit-reduction measures by Congress, the U.S. Senate Budget Committee is estimating a deficit close to $200bn in fiscal 1983 by assuming a stronger, higher revenue - producing business recovery than I do. Even my $180bn estimate is nearly 50 per cent more than this year's and about triple the average net new borrowings of $60-odd bn for the last six years.

Scanning the horizon for investor groups who would be likely purchasers of these new Treasury issues uncovers the second problem. We are again in a serious recession, but commercial banks—once the mainstay in financing deficits during such a period in the business cycle—are labouring under the pressing need to meet a strong, contra-cyclical loan demand from corporations unable to finance their own short-dated liabilities. Consequently, commercial banks—contrarily for this time in the cycle—have been liquidating Treasury securities. The petroleum exporting countries which were very large buyers of U.S. issues in the 1970s, now face a diminishing trade surplus and, possibly, a trade deficit. Certain other U.S. investor groups—savings and loan associations and savings banks—have been in a liquidity squeeze for some time.

There is no question that the U.S. Treasury will finance the deficit for the reasons that the sovereign credit stands highest in its own country since it alone can create the money to redeem the obligations: that the Treasury securities market is highly liquid: and that the interest cost, however high, is not the decision factor in borrowing for the Treasury that it is for the private sector.

In the absence of pleasant and unexpected surprises, it would appear that the burden of financing the deficit ahead will fall on contractual institutions, such as pension funds and insurance companies, and on individuals. Both these groups are highly sensitive, in the composition of their assets, to interest rates. So, whether the expected business recovery, and resultant rise in private credit demands, is strong or weak, the U.S. Treasury may do more "crowding out" in 1983 *than at any time in the* past.

** Dr Kaufman is managing director and member of the executive committee of Salomon Brothers.*

Letters to the Editor

Inflation accounting, cash flow and the Big Four

From Professor D. Myddelton

Sir,—Mr A. Tomkinson (May 24) alludes to two different questions which are not always clearly distinguished. The first is whether accounts should allow for general inflation. If there were no inflation this question would not arise. It amounts to asking whether the accounting unit of measurement should continue to be the monetary unit, or whether in times of rapid inflation it should instead be a unit of constant purchasing power (CPP).

Those who think it meaningless to add pounds to dollars want to distinguish between pounds of 1977 and those of 1982. (The ratio between the respective purchasing powers is about the same: 1.85 to 1.) An index of "general purchasing power" is used as the "translation rate" between pounds of different dates, in exactly the same way as foreign exchange rates are used to translate pounds into dollars in accounts. I suppose we all agree that is necessary for international companies? Since this index is intended to measure the general purchasing power of money, naturally it is constructed from the money prices of the things—in principle all the things—on which money is spent.

The very notion of general purchasing power implies that individuals and businesses do not automatically "ear mark" their money for the purchase of particular goods and services regardless of how much their money prices may have changed. What would the function of the price mechanism in a competitive market be if the possibility of changes in so-called "patterns" of spending were ruled out?

The second question asks whether accounts — whatever the accounting unit of measurement—should continue to be based on historical cost, or whether instead some form of current value accounting (such as CCA) should be used. Market prices fluctuate whether there is general inflation or not, and the arguments for CCA would be just as relevant even if there were *no inflation.* Over the past 200 years the benefits claimed for current value accounting have usually been thought to be outweighed by the net advantages of historical cost accounting, which were spelt out at some length in the Sandilands committee's report.

That committee, which chose to label itself "The inflation accounting committee," completely overlooked the elementary point that if there were no inflation there would be no need for inflation accounting. SSAP 16 correctly states that CCA is not a system of accounting for general inflation. But due to the existence of rapid general inflation in the UK for at least 15 years, such a system (CPP) is precisely what is required.

(Professor) D. R. Myddelton,
Cranfield School of Management.
Cranfield, Bedford.

From Professor D. Wood

Sir,—While there is no problem with Sir Anthony Burney's view (May 22) that companies go bust through lack of cash rather than lack of profit (a view he shares with the Stone-Platt management), it is difficult to see how this supports his plea to replace the known faults of SSAP 16 with the even more bizarre *concept of cash flow* accounting.

Indeed, far from needing further emphasis, it is reasonable to ask why prudent companies should have to consider cash flow at all. In the UK we have a large, expensive and sophisticated financial system whose presumed function is to channel the economy's cash surpluses into competing cash deficit investment opportunities. It is only if these institutions are failing to perform their *function* that cash flow considerations dominate profit opportunities and, if that is the case, it is the institutions that require reform not accounting.

Evidence for underperformance by the financial *intermediation industry is abundant.* The vast gap between the 2¼ year payback customarily used in corporate investment appraisal and the 20 year payback that should be fundable with market real interest rates of 5 per cent is one indication. Another is greater importance of self finance and the low levels of corporate sector deficit in the UK and U.S. economies relative to their more successful competitors such as Japan, Korea or Germany. Perhaps Sir Anthony would like to explain to the Japanese that they can't buy any more cost saving robots because they went bust on a cash flow basis several years ago!

Ultimately, the absurdity of the cash flow rationale is evident from its consequences. So far as the UK is concerned, if companies added their superannuation cash flows to their trading cash flows they would *find a* large cash flow surplus.

In other words, they systematically generate more investable funds than they feel able to absorb themselves. The economic purpose of channelling funds out of the corporate sector *in this way is somewhat* mysterious, given the available destination. They cannot be lent to the personal sector because this, too, is in persistent cash flow surplus. They cannot be lent to the government because the central plank of government policy is a rapid reduction in their deficit, so they have to be processed via the intermediaries and go to the only other available destination — abroad. Company chairmen, together with present and ex-employees, will no doubt be pleased to know that all the "improvement" in cash flow achieved during the process of becoming leaner and fitter has effectively been used to acquire claims in chronic deficit countries such as Mexico, Brazil, Poland, Argentina, Romania, and Ireland.

The likely return on these investments, as we are now coming to realise, is, to say the least, questionable, and certainly well below the real return attainable on a vast range of unfunded industrial investments in the UK.

Rather than alter the accounting rules to reinforce the destructive cash flow lessons so wrongly and painfully instilled over the past few years, it is time to reverse this nonsense and ensure that in the national interest all companies (and public corporations) who wish to incur cash flow deficits in investing in projects offering real returns above market interest rates will receive adequate and secure access to the perfectly adequate flow of investable funds which the government's superannuation requirements and savings incentives generate.

(Professor) Douglas Wood.
Manchester Business School,
Booth Street West, Manchester.

From Mr J. C. Clayton

Sir,—Congratulations on your new index of company profits, published on May 22. An outstanding point is the 29.5 per cent increase in bank earnings —some 10 times the industrial average. The Big Four results were not published in the relevant period, but disclose the same tendency: increase 27 per cent — before the special tax charge relating to 1979.

Excluding such special tax, Big Four profits have increased since 1969 (when their first true profits were published) from £106m to £1,305m! Even as a bank shareholder, it seems to me that such a huge inflation-induced increase in profits raises two crucial questions: a re-consideration of the "once-for-all" £400m tax on bank deposits; and the so-called current cost accounting of the banks—now, for the first time, certified by their auditors as showing a "true and fair view" of bank profits.

Two years ago I suggested that such unjust profits should no more escape special taxation than those of ITV and oil; and proposed that some £3bn-£5bn of their special deposits should be converted into supplementary special deposits, which are interest-free—such tranche to be reviewed quarterly and adjusted, in case of need. More*over, such an equitable "tax"* would now be timely: it would defray the costs of the Falklands expedition.

The so-called CCA profits are a gross distortion of the truth —as is evident from the CCA balance-sheets: banks' net assets have increased, annually, by more than their historical profits. Accordingly, on the objective net assets basis of profit computation—used from time immemorial and confirmed by the Sandilands report—bank *CCA profits exceed their historical* profits; while the subjective CCA figures they show are some 50 per cent less.

Ignoring the special tax charge in the 1981 accounts, relevant figures for the Big Four are as follows:

	1969 £m	1980 £m	1981 £m
Historical profits	106	1,027	1,305
CCA profits—increased net assets basis	120*	1,241	1,653
CCA profits submitted by banks (based on SSAP 16) and certified by their auditors		415	690

(*guesstimated)

A special meeting of the Institute of Chartered Accountants is to be held on July 29, to consider the rejection of SSAP 16, as was done to its predecessor in 1977. In this connection, the 1979 address of Governor Richardson to the Institute of Fiscal Studies is important. He indicated—what is now evident—that inflation accounting was unlikely to appeal to industrialists; but should be used to curtail bank taxation. The ICAEW council has followed his lead, but should seek to restore its objectivity by withdrawing its complicity in this enormous tax fiddle on behalf of the banks.

Jack Clayton.
19, Park Road, Cheam, Surrey.

Hanson Trust 21% ahead with UK recovery signs

PRE-TAX profits of industrial services and food products group, Hanson Trust, have increased by 21 per cent from £18.2m to £22.1m for the six months to March 31 1982, on higher sales of £510.4m, compared with £374.6m.

The directors say there is evidence that the UK recession has bottomed out and signs of recovery are being experienced by most of Hanson's British companies. The North American companies overall are performing better than budget and this is expected to continue.

Group profits of £33.7m *(£21m) were split between U.S.* industrial services £19.1m (£9.6m), UK industrial services £10.2m (£6.4m) and U.S. food products and services £4.4m (£5m).

Tax charge was up from £6.2m to £7.8m, and stated earnings per 25p share were 6.5p (5.4p) undiluted and 6p (5.3p) diluted. The interim dividend is effectively raised by 17 per cent from 2.125p to 2.5p net—last year's total payout was an adjusted 5p on taxable profits up 27 per cent to £49.7m.

Net assets per share showed an increase to 78p (76p at September 30 1981).

Since January, British Ever Ready has been integrated into Hanson Trust. Its loss-making businesses in Hong Kong and America have been closed and an in-depth review of all activities is already producing significant benefits. Ever Ready's profitable products in the dry cell battery market are being improved further to ensure the company's continuing success.

The Lindustries companies have concentrated on increasing market share and Crabtree, manufacturer of high quality electrical equipment, has become part of this division. There is great confidence in its future.

Butterley has faced difficult first-half trading conditions but management confidence is supported by growing orders for facing bricks and profit expectations for the current years should be met.

SLD, pump hire and construction equipment, has experienced a positive and sustained improvement in demand, resulting in increased profit. Barbour Campbell, textiles, has also produced much improved profitability and return on capital employed.

In the U.S., Endicott Johnson has produced a fine performance, although there is still some weakness in consumer demand for footwear. Ames profit from hand tools is higher than in the same period last year. Carisbrook, speciality textiles, again showed excellent results.

Profit and sales at Interstate, food service management, are both running at record levels. Indications from Hygrade are for a good year, although supplies of hogs and beef remain restricted. Seacoast made its forecast loss but looks to an eventual improvement in agricultural prices.

The directors conclude that with cash resources totalling over £140m and a corporate philosophy of investing in good basic industries on both sides of the Atlantic, they look to the balance of the year and beyond with great confidence.

See Lex

Hazlewood Foods rises sharply to £1.42m

PRE-TAX profits of Hazlewood Foods expanded sharply from £1m to £1.42m for the year to end March 1982 with the second half contribution advancing to £913,000, compared with £695,000 for the corresponding period a year earlier.

Stated earnings per 20p share improved by 4.1p to 19.8p and an increased final dividend of 4.7p (3.6363p adjusted) raises the net total to 8p, which compares with 6.3636p after allowing for the one-for-ten scrip.

Turnover rise from £11.98m to £18.84m—the group pickles and processes vegetables and manufactures sauces and condiments—and at the trading level profits came through ahead at £1.96m, against £1.37m.

The pre-tax figure was after taking account of increased interest charges of £546,000 (£362,000). Tax took £139,000 (£92,000) — there were extraordinary credits of £71,000 in the previous financial year.

Mr J. Lowe, the chairman, says Manor Vinegar Brewery was successfully integrated into the group during the year and contributed profits of £116,000 after allowing for acquisition costs.

The group's production facilities have been rationalised, making for a more cost effective and flexible operation. This initial exercise will provide a foundation for more substantial rationalisation in the coming year, the chairman adds.

He points out that the group's strategic plan is on target and that growth has been achieved by a balanced mixture of growth in the base business and the acquisition of synergistic companies.

The group's properties have been revalued and a surplus of £1.26m has been added to reserves and goodwill of £698,000 has been written off to reserves. At year-end shareholders' funds totalled £6.3m (£4.1m).

● comment

In recent years Hazlewood has been trying to move away from its established image as a specialist pickling company. Acquisition has added a contribution from vinegar, and an extension of the bottled fruit range is helping to spread production more evenly through the year, avoiding a costly hiatus in the first quarter. Moreover, rationalisation of the pickling facilities at Derby and Hull is making for greater flexibility. Two-thirds of output is now sold on a private-label basis to the major food retailers, and Hazlewood has profited by their promotional efforts. Although pre-tax profits increased by 42 per cent in the year to March, a 57 per cent increase in turnover was required to achieve that advance, and it may be that more acquisitions will be needed to keep up the momentum. At 240p (up 2p) the shares yield just under 5 per cent, and a fully-taxed historic p/e of more than 20 indicates that the market takes a favourable view of the prospects.

McCorquodale tops £3m midway

SALES OF international specialist printing group, McCorquodale, rose by £6.23m to £49.12m for the half-year to March 31, 1982, while pre-tax profits increased from £2.34m to £3.02m.

The directors say the major reasons behind the improvement are the effects of the recent rationalisations which are now beginning to work their way into profits, another solid performance from the security printing activities and good figures from the North American companies.

The book printing companies' profits were higher than in the second half of the previous year, although profit margins remain very tight. The general printing, colour card and packaging businesses continue to find market conditions somewhat sluggish, but the outlook in these areas is now more encouraging.

Total orders received by the group during the last six months have shown a steadily upward trend and the directors continue to face the future with confidence.

With half-yearly stated earnings per 50p share higher at 12.31p (10.33p) the net interim dividend is being stepped up from 2.75p to 3.25p—the previous year's total payment was 8p on pre-tax profits of £5m.

Certain of McCorquodale's associate companies have recently extended their financial year-ends to bring them closer into line with those of the group's subidiaries. The effect has been to increase the interim share of profits of associates by some £110,000 (£150,000).

Also, the expected useful lives of certain fixed assets have been reassessed which has had the effect of increasing group pre-tax profits by around £130,000 in the half-year.

The contribution from associates fell in the period from £886,000 to £608,000, mainly because of the effects of the recession in Brazil and a major deterioration in the value of the cruzeiro against sterling. However, the trading outlook for all these companies remains excellent.

At the trading level, group profits showed an advance from £2.17m to £3.23m, including investment income of £65,000 (£58,000). Pre-tax figures were after interest payments of £818,000 (£716,000) and associates share.

Tax charge increased from £654,000 to £1.01m and extraordinary debits accounted for £906,000 (£609,000).

The extraordinary items principally comprise the major restructuring costs at William Clowes (Beccles), less a provisional estimate of the tax relief thereon available to date, and the unrealised loss on exchange arising from revaluing the group's overseas net assets and foreign currency liabilities at exchange rates ruling at March 31, 1982.

● comment

McCorquodale's 29 per cent increase in half-year profits came mainly from its strongly based security printing and United States interests with the company maintaining its 35 to 40 per cent share of the UK cheque book printing market. But while security printing looks strong the other two main UK areas, packaging and book publishing, continue to give the group *headaches. Book publishing is* spluttering along with the market still not firming up in spite of the Christmas fillip for hardbacks. Packaging collapsed last year and has only partially revived. The company describes conditions for its general printing, colour card and packaging side as somewhat sluggish. McCorquodale's diversification overseas means that about a third of profits are earned outside the UK. At 180p the shares yield about 7½ per cent.

HIGHLIGHTS

The Lex column takes a hard look at the Mercantile House's audacious £91m offer for Oppenheimer, the U.S. brokerage house, its impact on Mercantile and its major shareholder Globe Investment Trust. The column then moves on to examine the moves at Harrison Malaysian Estates which is about to pass to Malay control and the wider impact for shareholders in Harrison Crosfield which will retain about 30 per cent. Finally Lex looks at the major result of the day. Hanson Trust reported its half-year figures yesterday afternoon showing a rise in pre-tax profits from £18.2m to £22.1m. These include Berec for three months though its contribution is fairly small after financing costs.

Martin The Newsagent 9% rise

FIRST-HALF taxable profits of Martin The Newsagent moved ahead from £2.41m to £2.62m, an improvement of 9 per cent, on sharply higher sales of £63.01m, compared with £55m, excluding VAT. At the trading level profits were £2.81m, against £2.57m.

Although the stores division was affected by the severe weather at Christmas the directors are confident that the underlying growth rate, excluding the Sperrings stores which are still being integrated, will at least be maintained in the second six months and that a "satisfactory result" is expected for the full year.

Meanwhile, the net interim dividend is being stepped up from 3.96p to 4.36p per 25p share and a one-for-one scrip issue is also proposed. Last year a final of 6.54p was paid from taxable profits of £3.8m. Half year stated earnings per share this time were 27.3p (28.8p).

First half pre-tax profits, which covered the period to March 28 1982, included investment income of £43,000 (£33,000) but were after deducting interest of £241,000 (£201,000) and depreciation of £552,000 (£561,000). It is pointed out that the group sold and leased back its fleet of private vehicles during the second half of 1981, and that there has been a subsequent reduction in the half year charge to depreciation of £65,000.

Tax took £810,000 (£510,000) and after an extraordinary credit of £26,000 (£11,000).

● comment

The 15 per cent increase in sales recorded by Martin is a reflection of price inflation, and not of volume increase. Aside from the aim of growth by acquisition, February's purchase for £3.5m, of 25 Sperring stores, gives Martin a firmer foothold in the Southern counties. They will not be washing their faces of financing charges this year, however, and gearing has risen 40 points to 68 per cent. With the basic CTN elements lacking in growth prospects, Martin has expanded its stationery selling side, and is opening up an increasing number of coffee shops. The profits growth of 9 per cent is no more than one would expect following on from the advance in NSS's figures for the same period, though in the wake of the scrip issue the share price gained 10p to close at an all-time high of 345p, yielding about 4.9 per cent.

Transparent Paper in the red

AFTER being £956,000 down at halfway, cellulose wrapping maker Transparent Paper made a pre-tax loss of £2.18m in the 53 weeks to April 3 1982, compared with a £146,000 profit in the preceding 52 weeks. Turnover increased marginally from £36m to £36.35m.

The dividend is omitted. Last year's was 0.1p net per share. Stated loss per 25p schare is 29.89p (nil).

The company's loss-making cellulose film manufacturing plant was closed on April 2 and full costs of the closure have been provided for in the 1981-82 accounts. The directors say a useful release of working capital will result from the closure and the disposal of surplus capital assets.

At April 3, they say, ordinary shareholders' funds amounted to £6.1m and total borrowings to £3.8m. Demand for the company's converted products has shown an encouraging increase in recent weeks and a return to profitable trading is expected this year.

In the interim report, the directors said skills and assets were being moved from energy-intensive cellulose film production to the profitable areas of plastic film making, printing, laminating, coating, ink making and chemicals where the company had improved its position in recent years.

A trading loss of £1.1m compared with a £1.21m profit. Depreciation took £1.07m (same). There was a tax credit of £10,000, against a £143,000 charge. Extraordinary debits were £3.16m (nil).

● comment

A decade ago, when Transparent Paper was recovering from losses after selling into a glut of unconverted cellulose, the market had already picked out the company as an asset speculation. It was not, however, until March 1981 that the balance-sheet was bolstered with a property revaluation surplus of £3.4m. Earnings from cellulose film were already collapsing, and the effect on Transparent Paper was sharpened by a fall in the price of polypropylene. Shutting the cellulose plant—at the beginning of April—has now added an extraordinary debit of £3.2m to a pre-tax loss for the year to April 3 of £2.2m, virtually halving the enhanced shareholders' funds. With a share price of 24p (down 2p) Transport Paper is capitalised at £1¼m, less than half the value of its borrowings. But net tangible assets are still just over £6m, and a return to profitability is indicated for the activities which remain, so the shares may be able to live near their present level for a while yet.

Dunlop expects better year

WITH trading results continuing to improve on 1981, Sir Campbell Fraser, chairman of Dunlop Holdings, the international manufacturing group, expects 1982 to be a better year, he told the annual meeting in London.

"So far, trading results continue to be better than those for the corresponding period of 1981, largely reflecting the internal steps taken to reduce the cost base rather than the stimulus of demand," he explained.

"After a difficult start to the year in Europe, trading in March did show some sign of a slight strengthening in the level of underlying demand and orders, but this was not sufficiently firm or widespread to encourage any confident prediction that the recovery is finally under way."

Sir Campbell continued: "Outside Europe, however, activity continues to be generally satisfactory and trading results in the first quarter of the year were closer to planned levels.

"Unless something completely unforseen happens, I would expect 1982 to be a better year for Dunlop as we reap the benefits of some of the necessary and painful steps we have taken.

"But I have to say to you that the real benefits will come when rising demand allows us to take full advantage of the gains in productivity and efficiency that have been achieved by the hard work and application of a larger number of people throughout the organisation."

Garford slips to £0.57m at year-end

Following a fall from £294,607 to £280,587 at midway, pre-tax profits of Garford-Lilley Industries finished the year to March 31 1982 down from £604,723 to £572,811.

Turnover for the 12 months amounted to £5.93m (£6.23m). Tax took £248,849 (£289,494), leaving earnings per 5p share at 4.91p (4.78p) and the total dividend is stepped up from 1.35p to 1.5p with a final payment of 1.25p net.

CARLESS CAPEL

The recent rights issue by Carless, Capel and Leonard has been received in respect of 12.362m shares, or 96.1 per cent.

THE NEW THROGMORTON TRUST P.L.C.

Capital Loan Stock Valuation— 1 June 1982

The Net Asset Value of £1 of Capital Loan Stock is 312.32p calculated on Formula 1.

Securities valued at middle market prices.

Bowthorpe looks to U.S.

BOWTHORPE HOLDINGS, the electronic and electrical components group, is keenly interested in broadening its activities in the U.S. and intends to buy suitable companies there. With this purpose in mind, the group has established a financial base in the U.S.

Announcing this at the Bowthorpe Holdings' AGM, Mr Ray Parsons, executive chairman, said: "Early this year we formed Bowthorpe International Inc., a company incorporated in the state of Delaware, with a paid-up capital of $750,000 plus loan capital of $3m.

The corporation is a wholly-owned subsidiary of Bowthorpe Holdings and will be the holding company of any acquisition made in the U.S. Meanwhile its funds are invested in short-term, high-interest-bearing U.S. Government securities and bank deposits.

To further our expansion aims in Europe, we have lent our Dutch subsidiary, Bowthorpe International BV, £2m, to be used for purchasing suitable European acquisitions.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Brunning	2.8	—	2.45	4.38	4.03
Capital Gearing Tst.	0.25	July 1	0.25	0.25	0.25
Energy Services	0.53	—	0.45	0.58	0.75
Ex-Lands	0.6	July 1	0.56	0.6	0.56
Hanson Trust int.	2.5†	July 30	2.13*	—	5*
Hazlewood Foods	4.7	Oct 2	3.64*	8	6.36*
Martin Newsagent int.	4.36	July 5	3.96	—	10.5
McCorquodale int.	3.25	July 26	2.75	—	8
Murray Technology	0.75	Sept 16	—	0.75	—
MEPC int.	2†	July 15	2	—	6.5
Transparent Paper	Nil	—	0.1	Nil	0.1
Triefus	0.63	Aug 18	2	0.63	2.88

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

YEARLINGS

The interest rate for this week's issue of local authority bonds is 13¼ per cent, down ⅛ per cent from last week's rate. The bonds are issued at par and are redeemable on June 8, 1983. A full list of issues will be published in tomorrow's Financial Times.

Triefus shows losses of £17,000 in second half

THE exceptionally depressed state of the diamond business throughout the world was the cause of taxable losses of £17,000 in the second half at Triefus and Company, diamond dealer, against profits of £572,000 last time.

Pre-tax profits of £127,000 were shown for 1981 against £912,000 previously although turnover was ahead from £19.19m to £23.95m.

Owing to the general low level of industrial activity, and in some countries an additional lack of foreign currency, business in industrial diamonds in particular suffered heavily and resulted in a loss, say the directors.

A final dividend of 0.625p has been declared which is the year's total, against a previous final of 2p and a total of 2.875p. Losses per 25p share were shown as 10.99p compared with earnings of 11.13p last time.

The main manufacturing company in the UK obtained increased efficiency but this did not result in increased orders or a return to profits, the directors say. The parent company results therefore suffered further by having to support this manufacturing company with special financial assistance at the end of 1981.

They add that good profits were made in most overseas companies.

Tax took £401,000 (£219,000), which the directors say was abnormally high. They say this was mainly because, for tax purposes, profits of overseas subsidiaries cannot be offset against trading losses in the UK.

After minorities there was a reduced extraordinary credit of £142,000 (£222,000) which was the profit on the sale of investments and the share of subsidiary losses no longer consolidated. Attributable losses emerged at £281,000, against previous profits of £684,000.

On a CCA basis there was a pre-tax loss of £625,000 (profit £210,000).

Ex-Lands improvement to £81,000

HIGHER realised surpluses on sales of investments were the main factor in Ex-Land's rise in taxable profit, from £55,000 to £81,000, for 1981. The six-month figure was £30,000.

The dividend at this investment company is being boosted to 0.6p (0.56p) net per 10p share. Net UK assets per share are given as 14.5p (14.2p).

Earnings per share are stated as 1.45p (0.98p), before an extraordinary debit of £12,000 (nil), which was the provision for payments to expatriate staff following the acquisition of the majority of the company's Nigerian interests.

Tax took £16,000, up from £11,000.

SHAW & MARVIN

The recent rights issue by Shaw and Marvin has been accepted in respect of 1.934m shares, or 86 per cent.

"The Company's plan of attack has three main prongs. In summary, they are first, to modernise and rationalise the tyre operations in Europe; secondly, to reinforce carefully and selectively those diversified product areas in Europe where prospects for growth and profitability are favourable; and, thirdly, to strengthen and diversify certain operations overseas which continue to expand rapidly as world industrialisation gathers pace."

Sir Campbell Fraser,

Chairman of Dunlop Holdings plc, speaking at the Group's Annual General Meeting on June 1st, 1982, said:

The Year 1981

I said in this year's Annual Report that 1981 was a period of contrasting experience. In keeping with many other companies, we had expected that after a difficult first six months, business activity in the United Kingdom would slowly improve in the second half of the year. It was not to be. Certainly the level of business activity ceased to fall in the spring, but subsequently there was little, if any, upturn; and continental Europe, which until mid-year had escaped the worst effects of the recession, then felt the impact of declining demand. Fortunately, it was a year of continued growth for the Group outside of Europe, although towards its end, there were signs of some slackening of activity in a few of the countries where we operate. As I have said to you on many occasions, the spread of the Group's activities abroad has been helpful in shielding us from the worst ravages of the recession nearer home.

Given the trading picture in Europe, which accounts for over half our activities, the Company has taken vigorous further action to reduce costs and expenses, to improve productivity, to streamline the organisation, and generally to improve our competitive position. Inevitably, this affected the number of people we employ, notably in the United Kingdom.

So what did this add up to? The results for the year, which show a breakeven position before tax, conceal some real progress. Trading losses were sustained in the second half of 1980 and again in the first half of 1981, but a trading surplus was earned in the second six months of last year. After three trying trading years, when many of our operations have been under great pressure, I am glad to say that the trend is now in the right direction.

It was against that background of slow but steady improvement in the trading results – you may remember I cautioned you that recovery would be a long slog – that your Board decided to maintain the final dividend at the reduced level of the previous year.

Shareholders will recall that last year a special rebate scheme for purchases of Group products was introduced. The initial response has been limited so far, but even so the scheme has been favourably received and we have decided to extend it for a further year; I know you will want to take advantage of it during the course of this year.

I hope you do not find the extent to which Dunlop products enter into every day living and leisure activities too surprising. That is one of the Company's real strengths, and the name Dunlop is consonant with quality and value for money.

Longer Term Policies

Although last year was a period when senior management was primarily concerned with meeting the immediate challenges of the trading environment, the reshaping of the Group continued, most importantly with the dissolution of the Union with Pirelli. One incidental benefit of the Union dissolution is that the structure of the Dunlop Group, its ownership, and its income flow become easier to understand. Then there was the sale of our interest in the estates in Malaysia, the explanation for which is set out fully in the Accounts. During the period, there were changes in the status of two overseas companies, Dunlop France and Dunlop India; the former became a subsidiary, the latter an associated company. This reshaping is an integral part of a more comprehensive and longer term strategy for the Group, to which I would now like to turn.

The Company's plan of attack has three main prongs. In summary, they are first, to modernise and rationalise the tyre operations in Europe; secondly, to reinforce carefully and selectively those diversified product areas in Europe where prospects for growth and profitability are favourable; and, thirdly, to strengthen and diversify certain operations overseas which continue to expand rapidly as world industrialisation gathers pace.

It was clear, in 1978, that the tyre business in Europe had to undergo major structural change. The oil crisis a few years earlier, the subsequent recession, and the spread of radial steel tyre technology had a dampening effect on demand for tyres in Europe. The longer lasting products reinforced the trend of reduced consumption and under-utilised capacity, which in turn led to severe price cutting in the market place. Dunlop was the first of the major tyre companies to recognise the need to take action. The cost has been heavy, but I am glad to say that the major part of the rationalisation, and the expenditure associated with it, is now behind us.

Product Diversity

The decision to stay in tyres in Europe, to retain a more compact but profitable presence in the business we invented, was guided by two considerations – first, that it *was* possible to restore the tyre operations to a viable and profitable state; and, second, the fact that Europe is our home market. Europe is where the state of the tyre art is most highly advanced; it is the continuing technological base for the development of our tyre businesses overseas, most of which are both profitable and competitive as our success in the American market has illustrated so well.

At the same time, we have continued to strengthen our diversified products operations on a selective basis. There has been significant new investment in our British footwear operations to make their manufacturing activities as effective as possible; in the extension of our belting operations; in the expansion of the oil and marine hose division which exports 70% of its output; and in our aviation division, where our carbon brake technology is in the forefront of the world's suppliers.

Overseas, we have continued to diversify in countries as varied as South Africa and New Zealand, Zimbabwe and the United States; and there are a number of other overseas opportunities which are currently under review.

These policies are being actively pursued as part of a long-standing overall strategy of reducing the relative dependence on tyres, and at the same time increasing the relative weight of activities outside Europe. The success of this policy is illustrated by the fact that, fifteen years ago, tyre activities accounted for some 65% of the Group's total business worldwide and diversified products for 35%. By 1980, tyres worldwide accounted for 55% and diversified products for 45%.

Geographical Spread

In geographical terms, in the mid-1960's, the United Kingdom accounted for half our total business and Europe as a whole for 70%: in 1980, the proportion in the U.K. was 35% and in Europe some 64%. The expansion of the Group's activities outside Europe, which has served us well in the last few decades, does not, however, indicate that we are neglecting our operations in Britain. Indeed, nearly half of the capital spending for modernisation has been at home over the last three years or so.

Nor have we ignored the need for new products. During the past two years, the Company has launched more new and improved products in Britain than ever before, from tyres to tennis rackets, from inflatable boats to belting. Moreover, our expenditure on research and development, the seedcorn for the future, has been steadily increased.

The reshaping of the business, in particular the restructuring of the tyre operations in a period when the recession has been worse than most of us have experienced in our working lives, has not been achieved without real cost both in financial and human terms. Borrowing ratios have inevitably increased, people have lost their jobs. But this has been part of the price of strengthening the Company and, all things considered, we entered 1982 in a stronger, more balanced, and more competitive stance.

Current Trading

So far, trading results continue to be better than those for the corresponding period of 1981, largely reflecting the internal steps taken to reduce the cost base rather than the stimulus of demand. After a difficult start to the year in Europe, trading in March did show some signs of a slight strengthening in the level of underlying demand and orders, but this was not sufficiently firm or widespread to encourage any confident prediction that the recovery is finally under way. Outside Europe, however, activity continues to be generally satisfactory, and trading results in the first quarter of the year were close to planned levels.

Unless something completely unforeseen happens, I would expect 1982 to be a better year for Dunlop as we reap the benefits of some of the necessary and painful steps we have taken. I have to say however that the real benefits will come when rising demand allows us to take fuller advantage of the gains in productivity and efficiency that have been achieved, by the hard work and application of a large number of people throughout the organisation. I should like to thank all of them, on your behalf, for their efforts and their perseverance in recent years.

May I also thank you, the shareholders, for your sustained support. I earnestly hope that in the next few years your patience will be well rewarded.

Changes on the Board

Since our last meeting, there have been a number of changes in the membership of the Board. Two directors are no longer with us. Last February the Company suffered the loss of Dr. Alfred Spinks. After a distinguished scientific and commercial career with ICI, he joined us in a non-executive capacity in 1980. His early death removed a source of wisdom and experience which all his colleagues miss. In March, Mr. John Dent retired early to become Chairman of the Civil Aviation Authority. He takes with him our warm thanks for his services to the Company, and our best wishes for a successful tenure of office in the public sector.

There are two newcomers to the Board. Sir Arthur Knight, who was appointed in June last year, has been Chairman of Courtaulds and, following that, was Chairman of the National Enterprise Board. We have already benefited from his perceptive comments on our affairs and I commend him to you. Equally, I am pleased to welcome on your behalf, Sir Maurice Hodgson, who retired as Chairman of ICI at the end of March after 40 years with that company, and who is now Chairman-designate of British Home Stores. As one of the country's leading businessmen, his knowledge and experience of industrial matters, both in the United Kingdom and overseas, will be of enormous assistance to the Company as it moves through the 1980's.

As is now our practice, following the change in the Articles of Association, a larger number of directors retire and present themselves for re-election each year. In addition to Sir Arthur and Sir Maurice, Mr. Michael Bexon, Mr. Kenneth Gardener, Mr. Kenneth Johnson and Sir John Read are fully worthy of your support.

DUNLOP

Please send me more information about Dunlop

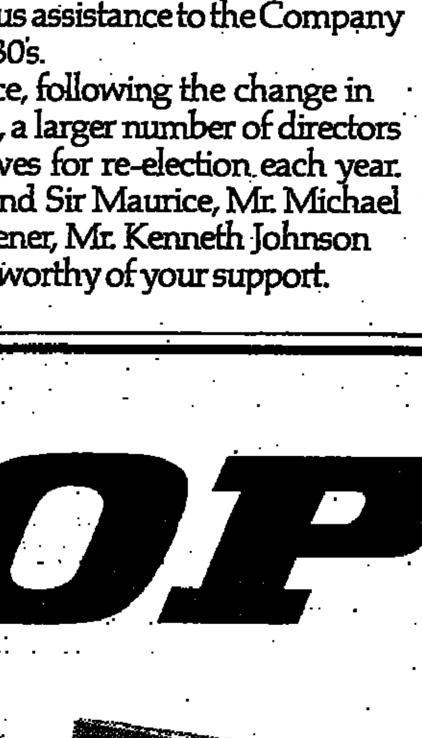
Please tick choice

☐ Dunlop Annual Report 1981. ☐ Copy of the Chairman's Statement. ☐ Shareholder Rebate Scheme pamphlet.

NAME

ADDRESS

Post to: The Secretary, Dunlop Holdings plc, Dunlop House, Ryder Street, St James's, London SW1Y 6PX.



MINING NEWS

Anglo's earnings are cushioned by Amcoal

BY KENNETH MARSTON, MINING EDITOR

FEARS of a possible reduction in dividend are allayed by Anglo American Corporation with a maintained final for the year to March 31 of 75 cents (39p) to make an unchanged total of 110 cents.

Reflecting a less buoyant year, net profits (before extraordinary items) come out at R770m (£399m) compared with R866m.

The sharp rise in trading profits and outside shareholders' share of profits reflects the fact that the flourishing Anglo American Coal Corporation (Amcoal) together with Anglo American Properties became subsidiaries of Anglo in mid-February 1981.

Thus the latest results of Anglo include profits of those companies for a full 12 months. In the previous year Anglo's results contained the benefit of those companies' profits for only some six weeks.

As far as the current year is concerned, the important gold income is likely to fall further in line with the bullion prices and that from diamonds will probably remain subdued. Industrial interests may reflect the economic pinch now being felt in South Africa and the only major sector likely to do better may be coal.

Anglo, however, remains financially strong with a total market value of investments—including those in associated companies—of R4.8bn (against R6.44bn a year ago) and a net asset value per share of 2,040 cents (£10.56).

	1982 Rm	1981 Rm
Investment income	479.2	565.8
Interest and fees	155.7	151.6
Trading profits	254.2	25.9
Surplus from life insur.	7.8	—
Realisation of invests.	6.4	17.3
Making	903.3	760.6
Interest paid	151.9	99.8
Prospecting costs	36.0	28.5
Prov. against invest.	—	10.0
Prov. against loans	—	10.0
Profit before tax	715.4	612.3
Taxation	102.4	26.2
Profit after tax	613.0	586.1
Outside holders	104.7	54.6
Preferred stock and pref. divs.	-4.5	4.5
Share of assocs.	266.2	339.0
Profit before extraord. items	770.0	866.0
Ordinary div.	248.5	248.3
Retained profit before extraord. items	521.5	617.7
Extraord. items	(34.1)	(6.9)
Retained profit after extraordinary items	487.4	610.8

Eastern cash bids for Pengkalen and Idris

A BID of 350p per share for Pengkalen is reported to have been made by the Tan family of Malaysia who are understood to have recently acquired some 10 per cent of the shares.

Following the exhaustion of its tin mining land in Malaysia Pengkalen ceased dredging operations in February and announced that it was looking for alternative mining prospects.

It was also announced that Straits Trading had sold its 26 per cent stake in the London-registered company for M$9.4m (£2.28m). Shares of Pengkalen were marked up 15p to 335p in London yesterday.

Another small London-registered tin company, Idris Hydraulic Tin, has now received the expected full take-over offer from Malaysia's Permodalan Bersatu (formerly Syarikat PKB) for the shares not already owned by the latter which acquired 34.33 per cent of Idris at $M14 per share from Straits Trading last year.

As expected, Permodalan is now offering the same cash price (equal to about 340p per share) to all shareholders. The offer is conditional on Permodalan receiving sufficient acceptances to raise its holding to 50 per cent.

Dealings in Idris shares were suspended last October at a price of 155p following the close-down of mining operations as a result of a major landslide.

A further small tin company to be the subject of various rumours is Renong Tin Dredging. Dealings in the shares were suspended yesterday at 375p at the company's request pending a a further statement.

Here again, Renong no longer has any tin operations and Straits Tin sold its 41 per cent holding in the company to the Hong Kong-based Sparlstream Investments last year. Subsequently, Sparlstream was reported to have offered HK$15.70 (equal to about 152p) per share for the rest of the capital.

Zimbabwe Alloys in deficit

HIGHER OPERATING costs combined with lower metal prices to give Zimbabwe Alloys, part of the Anglo American Corporation group, a pre-tax loss of Z$943,000 (£704,000) in the year ended March 31, 1982.

Zimbabwe Alloys, formerly Rhodall, is one of only two major ferrochrome producers in Zimbabwe. Operating profits fell from more than Z$5m in the first half to less than Z$1m in the latter half of the year, reports Tony Hawkins from Harare.

The company warns that it stands to lose about Z$14.6m in the current year, with interest charges accounting for more than half of this, if it maintains production at current levels.

Alloys could limit its losses if it cut ouput, as this would allow the company to run down its stocks and thus avoid heavy interest charges. Talks aimed at finding a solution to the problems have already begun with the government.

The company's results will add to the pressure currently being put on the government for devaluation. The Anglo group has already publicly called for a devaluation of 25 per cent in the Zimbabwe dollar.

Hartogen has 20% of Oil Co. of Australia

THE AUSTRALIAN oil and gas producer and explorer, Hartogen Energy, has built up a 19.9 per cent stake in Oil Company of Australia (OCA), the junior oil and gas exploration company which holds a 2.5 per cent interest in the recently discovered Jackson oilfield in the Queensland sector of the Cooper Basin, writes Stephen Thompson.

The Hartogen holding in OCA has been steadily built-up over the past three months, culminating in the purchase on Friday of more than 10 per cent of OCA's issued capital, both on- and off-market, raising Hartogen's holding to 14m ordinary 50 cent shares paid to 35 cents.

Hartogen's acquisition is in line with the company's stated policy, announced at the time of its recent rights issue, of acquiring highly prospective acreage by farm-ins or the purchase of interests in other exploration companies.

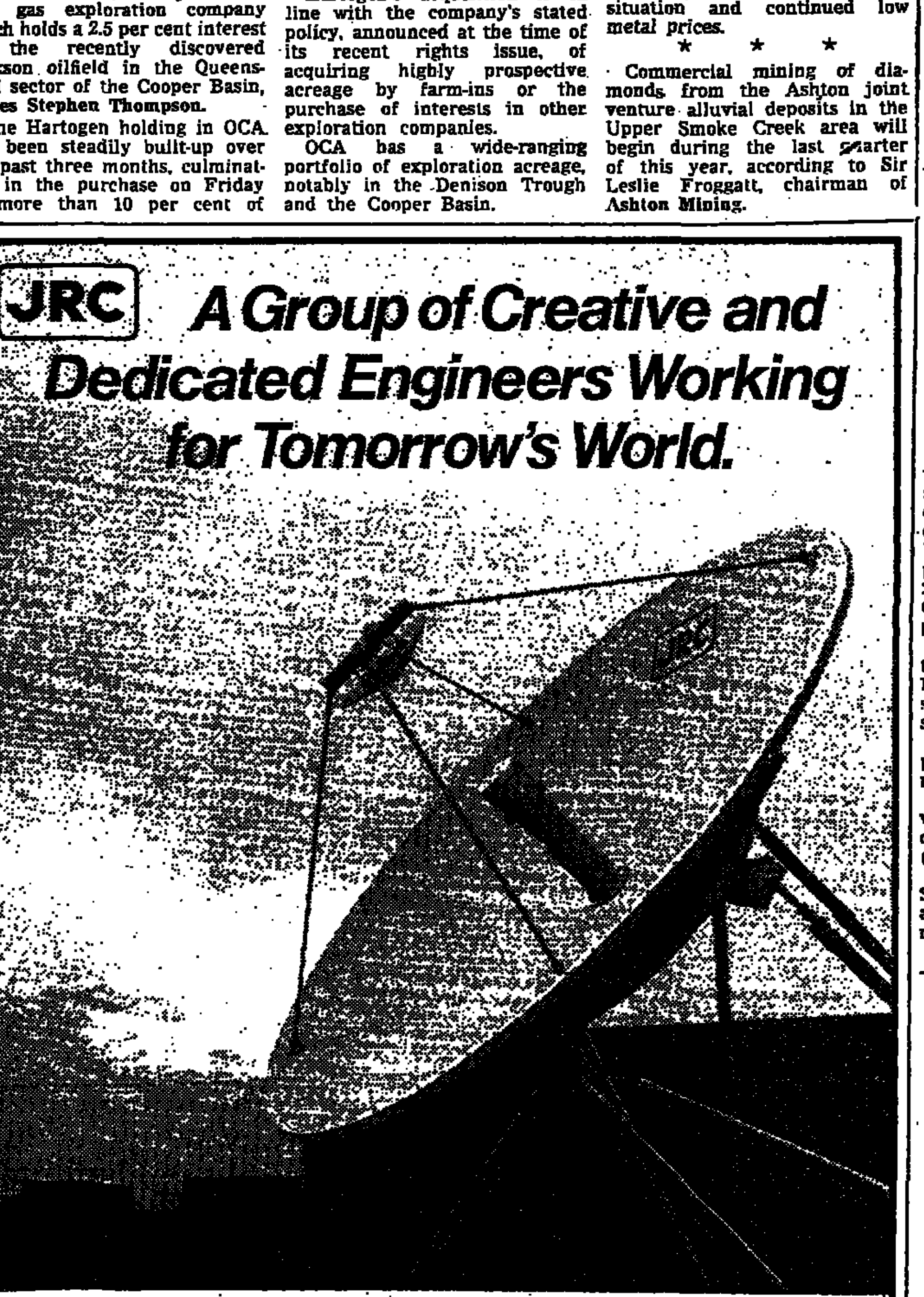
OCA has a wide-ranging portfolio of exploration acreage, notably in the Denison Trough and the Cooper Basin.

ROUND-UP

Canada's Hudson Bay Mining and Smelting has ordered the temporary closure of two copper-zinc mines in the Snow Lake district of northern Manitoba, in response to the economic situation and continued low metal prices.

* * *

Commercial mining of diamonds from the Ashton joint venture alluvial deposits in the Upper Smoke Creek area will begin during the last quarter of this year, according to Sir Leslie Froggatt, chairman of Ashton Mining.



BIDS AND DEALS

Reverse takeover sought for troubled Euroflame

Tring Hall Securities believes it has put together a rescue package for the much-troubled wood stove supplier Euroflame. The deal, if successful, would lead to a reverse takeover of the company by Heatstream, a private manufacturer of logfires formed in 1980.

Euroflame joined the Unlisted Securities Market in March 1981, via a placing of 1.1m 20p shares at 30p each valuing the company at £920,000 after a month delay over a profit forecast mix-up.

In the event, instead of reaching the £350,000 profit forecast for 1981 it turned in a loss of £535,000 pre-tax. It has liquidated its subsidiary Euroflame UK, and the group is now subject to a Department of Trade enquiry under Section 165(b) of the 1948 Companies Act.

As part of the revival of the business £330,000 has been raised by placing convertible debenture shares with institutional and private investors. This money will provide a source of working capital.

Meanwhile shareholders—who are being warned that this may be the only chance of retrieving something—are being asked to approve a capital reduction to remove the deficit in reserves. This would be done by writing down 20p shares to 2p and consolidating into 10p shares. The elimination of the deficit would enable dividends to be paid and rights issues to be made.

The deal with Heatstream, which has been supplying the company with a successful line of coal burning stoves, will involve Heatstream being taken over by Euroflame. In return Heatstream receives an option on over 60 per cent of Euroflame exercisable providing the group's profits exceed £200,000 pre tax in 1984.

No profit figures have been released by Heatstream, but it expects to gain from the merger through Euroflame's marketing and distribution network. Last year Euroflame's Logfire subsidiary turned in profits of £100,000 despite the setback elsewhere.

Heatstream, with a factory at Horsham, is headed by 35-year-old Kenneth Pritchard-Jones. He will become chairman of Euroflame and another director, Darryl White, 45, a former director of Henry Ansbacher, will become managing director. John Mocatta, who joined Euroflame at the end of last year to help turn it round will remain a non-executive director.

Carrian Investments in £58m property deal

Carrian Investments, the publicly quoted arm of the Hong Kong-based property and shipping group, Carrian Holdings, is to acquire a further property package from its parent company.

Carrian Investments will take over property worth a total of HK$596m (£58m) by the issue of 149.72m shares at HK$3.98 each.

This comprises the remaining 51 per cent of the Transpacific Centre in Oakland, California, which it does not already own, the remaining half interest in a number of flats in Tregunter Tower, Hong Kong, and a further 15 per cent in Hong Kong's Miramar Hotel development taking its share to 48 per cent.

Similar asset transfers to its quoted subsidiary have been carried out in the past thus enabling the company to sustain strong profit increases. Analysts do however point out that the question of whether profit growth could continue at past rates without this help remains open.

Brokers in London yesterday dismissed suggestions that Carrian Investments plans to list new shares on the New York and London Stock Exchanges later this year despite earlier reports to the contrary. It may however seek an over-the-counter listing in New York.

Carrian did however place 100m existing shares last week with Hong Kong and London institutions at HK$3.40 a share.

Little is known about the ultimate ownership of the unquoted Carrian Holdings although stockbrokers Vickers da Costa recently placed ownership with four Malaysian and Singapore families, one of whose members is the current chairman of Carrian Investments, Mr George Tan.

HOGG ROBINSON/ ALLTRANSPORT INT.

Hogg Robinson (Travel), a subsidiary of the Hogg Robinson Group, has acquired the travel interests of Alltransport International Group for an undisclosed consideration, which is less than 5 per cent of Hogg Robinson Group's net tangible assets.

MARSHALLS HALIFAX/ ARC CONCRETE

Marshalls Halifax has acquired for an undisclosed sum the flag and kerb production unit of ARC Concrete at St. Ives, Huntingdon. The acquisition will give Marshalls access to new markets for concrete products in East Anglia and the South of England.

DUPLE

M. J. H. Nightingale and Co, acting on behalf of W. S. Yeates, has placed 450,000 ordinary shares of Duple International with a group of financial institutions. This block represents 4.38 per cent of the ordinary share capital of the company.

TVW offer for ACC goes unconditional

TVW Enterprises, the television company of Mr Robert Holmes à Court, yesterday declared that its offer for Lord Grade's Associated Communications Corporation (ACC) had become completely unconditional.

This follows approval from the Independent Broadcasting Authority (IBA) for the deal and means ACC's holding of 51 per cent of Central, the Midlands TV company, will go into a trust under which the now Australian-owned ACC divests itself of all voting power.

The ultimate future of the holding "is for longer term discussion," according to the IBA. This could take six months or more depending on market conditions but, according to TV industry sources, Mr Holmes à Court will end up with about 20 per cent of Central.

Owners of 95.31 per cent of ACC's stock units accepted the TVW approach, comfortably above the 90 per cent limit set for the higher—110p—offer under the unprecedented two-tier bid. The offer expiry date has been extended until further notice to allow other shareholders to accept.

TIBER ENERGY

The board of Tiber Energy Corporation recommends rejection of the offer by Orbit Oil and Gas. Board will respond to the offer by American Eagle Petroleum after formal documentation thereon has been delivered.

SHARE STAKES

Harvey and Thompson—Keep Investment Trust purchased 172,040 ordinary shares to increase holding to 237,040 (7.54 per cent).

Noble and Lund—Elfos Holdings (formerly Charles Clifford Industries) disposed of 50,000 stock units, leaving total 350,000.

J. Hepworth—British Land Company subsidiary—Real Property and Finance Corp.—disposed of 535,000 ordinary. This makes holding 3.2m.

Renold—Prudential Corporation acquired 425,000 ordinary stock and now holds 3.47m (8.60 per cent).

Humberside Electronic Controls—P. B. McMaster, director, sold 375,000 shares. After this disposal the interests of the directors are as follows—Peter Banks McMaster 7.39m (57.19 per cent). Maurice Knight 2,000 (0.015 per cent) and Philip Christopher Hamer 20,000 (0.15 per cent).

Cullen's Stores—Trustees of the W. H. Cullen Pension Fund Holding is now 195,450 ordinary shares and 4,000 "A" ordinary shares.

Berwick Timpo—Caparo Group purchased 60,000 ordinary and now holds 420,000 (7.5 er cent).

Edward Jones Group—Centreway Industries purchased 85,000 ordinary shares making 490,000 (11.4 per cent).

G. R. Holdings—Border and Southern Stockholders Trust acquired 40,000 ordinary and now holds 366,500 (8.87 per cent).

Associated Sprayers — Industrial and Commercial Finance Company disposed of 1.19m ordinary shares and Estates Duties Investments Trust 120,000. Abingworth acquired 1.31m ordinary shares (15.03 per cent).

Nurdin and Peacock — T. V. Grimwood, director, sold 25,000 ordinary shares.

Tarmac — J. A. Shedden, director of subsidiary, sold 5,380 ordinary.

Broadstone Investment — Interest of London and Manchester Group increased to 15.48 per cent by purchase via subsidiary London and Manchester Associates of 630,000 ordinary on May 20 to give assurance company a total of 2.11m ordinary.

Erskin House Investment — Solarosa, a company registered in Cadiz, acquired a further 40,000 ordinary bringing holding to 757,500 (23.8 per cent).

Stothert and Pitt—St Georges Pension Fund holds 171,000 ordinary (6.65 per cent). Formerly 141,000 (5.48 per cent).

London Prudential Investment Trust — Sun Life Assurance Society acquired 30,000 ordinary and now holds 780,000 (13 per cent).

Amalgamated Distilled Products—Following purchase of a further 100,000 ordinary on May 21, Globe Investment Trust is interested in 1m ordinary (5.72 per cent).

Pentland Investment Trust — Courtaulds Pensions Common Investment Fund sold the whole of its holding of 1.81m ordinary shares.

Horizon Travel — Greater Manchester Passenger Transport Executive on May 25 purchased a further 300,000 shares, increasing holding to 1.23m. The holding of Lancashire United Transport (wholly owned subsidiary of G.M.P.T.E.) remains at 4.22m shares. The combined G.M.P.T.E./L.U.T. shareholding is therefore 5.5m shares (13.13 per cent).

Arthur Lee and Sons—Caparo Group together with its subsidiaries acquired 50,000 ordinary shares making total interest 2.22m (7.17 per cent).

Britannia Arrow Holdings—Following the increase in share capital consequent upon the offer for General and Commercial Investment Trust, London Trust holds 16m Britannia ordinary shares (13.53 per cent of the enlarged ordinary capital).

Pentos — Weiss, Peck and Greer purchased 72,080 deferred ordinary shares and 27,080 ordinary shares. P. Greer, a director, is a managing partner of Weiss, Peck and Greer.

Cosalt—J. Carl Ross, president sold 40,000 ordinary shares on May 26, leaving holding 313,128 ordinary shares.

MOWLEM U.S. MINE INVESTMENT

John Mowlem and Company has signed an agreement to invest $1.5m in a new company, Koppen Mining Services (KMS), which will take over the business of Koppen Mining Corporation (KMC) of Albuquerque, U.S.

The new company, Koppen Mining Services, will take over both the business and the equipment of KMC. John Mowlem Inc will own 70 per cent of the new company and Mr Eckhart Koppen, who will be president, will own the remainder.

Heavitree Brewery ahead

In the half year ended April 30 1982, profit before tax at Heavitree Brewery of Devon moved ahead to £304,000 against £257,000, on turnover up at £1.8m, compared with £1.54m.

The interim dividend at this close company is maintained at 6.6p net per £1 share. Last year's total of 22.5p was paid out of pre-tax profit of £687,000.

Tax took £159,000, compared with £134,000.

SPAIN

June 1	Price %	+ or —
Banco Bilbao	349	+6
Banco Central	332	+4
Banco Exterior	300	+5
Banco Hispano	314	
Banco Ind. Cat.	114	
Banco Santander	325	+2
Banco Urquijo	187	
Banco Vizcaya	363	+4
Banco Zaragoza	247	+1
Dragados	138	
Espanola Zinc	70	
Fecsa	66.2	+1.7
Gal. Preciados	32	
Hidrola	68	+2.8
Iberduero	52	+0.8
Petroleos	87	+0.5
Petroliber	99	
Sogefisa	9	
Telefonica	71.5	
Union Elect.	63	—0.7

Mercantile House details its £91m Oppenheimer offer

Mercantile House Holdings unveiled full details of its £91m offer for Oppenheimer Holdings Inc. in London yesterday.

Under the deal the consideration will be satisfied by the issue to the vendors of 6.2m new ordinary shares of Mercantile House and $115.8m (approximately £64.7m) in cash.

As part of the arrangements for the acquisition Mercantile House has entered into agreements:—

● With Globe Investment Trust for the subscription in cash by Globe for 5m new ordinary shares and 20m convertible preference shares of £1 each of Mercantile House for a total of £40m in cash and

● With Globe and Electra Investment Trust, which holds a 20 per cent stake in Oppenheimer and Co., a private U.S. investment partnership the ultimate parent of Oppenheimer Holdings. Globe and Electra will underwrite a proposed offer for sale by Mercantile of new shares which will raise about £17m.

Existing shareholders of Mercantile House will be given preferential invitations to apply for 50 per cent of the proposed offer for sale.

Electra Investment Trust, which already holds 2.7 per cent of Mercantile House, will receive 4.5m new ordinary shares in respect of its 20 per cent interest in Oppenheimer and Oppenheimer and Company will receive 1.7m new ordinary shares and $115.8m (£64.7m) in cash.

Apart from the involvement of Globe and the offer for sale to raise £17m, the balance of £10m will be raised from existing bank balances and facilities of Mercantile House.

Once the deal is completed Electra's shareholding in Mercantile House will rise from 2.7 per cent to 14.9 per cent of the enlarged share capital. The new ordinary shares subscribed by Globe will represent 15 per cent of the issued ordinary share capital of Mercantile House once it is enlarged. Conversion of the convertible by Globe would increase its holding to 25.1 per cent.

Completion of the deal could result in Mercantile House having more funds under management—including its own SIMCO money funds—than any other UK based independent management group.

MOBIL ACQUIRES OPERETTAS

The Mobil Corporation has acquired the 12 televised Gilbert and Sullivan operettas currently being made by Brent Walker, the UK television production company. Five of the operettas, which will be shown in the U.S. next year, have already been completed while the rest are now being filmed at Shepperton studios.

GEORGE WIMPEY

Formal agreement has been reached between Wimpey Asphalt and Hobbs Quarries (Holdings) for acquisition of a majority holding in Robert Hobbs, to which the quarrying, readymixed concrete, road construction, and concrete block-making activities of Hobbs Quarries have now been transferred. Other activities of the Hobbs Group are unaffected.

LONDON TRADED OPTIONS

June 1. Total Contracts 1097 Calls 829 Puts 268

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	280	44	1	52	—	—	—	316p
BP (c)	300	28	2	38	—	46	—	"
BP (c)	330	9	5	19	—	30	—	"
BP (p)	330	20	3	30	—	38	—	"
CU (c)	160	1½	—	3	7	16	2	134p
CU (c)	160	3	—	7	18	—	—	"
Cons. Gld (c)	360	18	33	35	2	42	—	367p
Cons. Gld (c)	420	4	3	9	—	18	—	"
Cons. Gld (p)	460	2½	10	4	—	—	—	"
Cons. Gld (p)	360	16	5	25	4	33	2	"
Cons. Gld. (p)	900	40	—	55	5	60	2	"
Ctlds. (c)	80	9	11	14	1	19	—	85p
Ctlds. (c)	90	3½	—	9	2	13	10	"
Ctlds. (c)	100	2	—	4½	5	8	—	"
GEC (c)	650	310	2	—	—	—	—	939p
GEC (c)	850	110	9	135	—	162	—	"
GEC (c)	900	65	29	85	—	122	—	"
GEC (c)	950	27	29	42	11	65	—	"
GEC (p)	900	13	3	20	—	32	—	"
GEC (p)	950	27	10	35	—	41	2	"
Gr'd Met. (c)	174	46	—	49	10	—	—	218p
Gr'd Met. (c)	194	27	48	31	1	36	—	"
Gr'd Met. (c)	214	12	8	17	5	22	6	"
Gr'd Met. (c)	220	8	6	13	18	17	63	"
Gr'd Met. (p)	174	½	10	1	—	—	—	"
Gr'd Met. (p)	214	10	8	13	—	16	30	"
Gr'd Met. (p)	220	12	7	18	25	20	50	"
ICI (c)	300	36	4	44	—	52	—	328p
ICI (c)	330	12	9	22	—	34	—	"
ICI (p)	330	13	45	19	1	22	—	"
ICI (p)	360	38	16	42	—	—	—	"
Mks & Sp. (c)	120	49	2	—	—	—	—	166p
Mks & Sp. (c)	140	29	22	32	—	34	3	"
Mks & Sp. (c)	160	9½	29	14	34	17	31	"
Shell (c)	420	27	5	38	12	46	—	426p
Shell (c)	460	11	15	20	7	30	—	"
Shell (p)	420	12	—	22	3	26	—	"
		August		November		February		
Barclays (c)	460	23	—	40	4	50	—	463p
Imperial (c)	90	12	73	15½	—	18	—	97p
Imperial (c)	100	6½	32	9½	88	11½	10	"
Imperial (p)	100	6½	4	8½	—	10	—	"
Lasmo (c)	300	54	2	67	—	—	—	339p
Lasmo (c)	330	35	18	47	—	67	—	"
Lasmo (c)	360	18	12	37	2	50	—	"
Lasmo (c)	390	12	13	—	—	—	—	"
Lasmo (c)	420	5	2	—	—	—	—	"
Lonrho (c)	80	2	—	3	—	5	13	89p
P & O (c)	160	5	4	8	—	12	—	147p
Racal (c)	360	82	—	97	1	—	—	433p
Racal (c)	390	53	5	73	—	85	—	"
Racal (c)	420	30	1	53	—	65	—	"
Racal (c)	460	13	7	28	2	43	—	"
Racal (p)	360	2	25	5	—	—	—	"
Racal (p)	390	5	—	11	—	18	3	"
Racal (p)	460	37	1	42	—	47	—	"
RTZ (c)	420	30	3	47	—	52	—	429p
Vaal Rfs (c)	45	5	2	6	—	8	—	$46
Vaal Rfs. (c)	55	¾	—	1¼	20	—	—	"
Vaal Rfs. (p)	35	½	—	1¾	10	—	—	"
Vaal Rfs (p)	45	3⅝	—	6½	2	8	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$325	12	18.50	—	—	—	—	$318.25
GOLD C	$350	10	10	21	20A	10	30	"
GOLD C	$375	10	6A	—	—	—	—	"
GOLD C	$400	3	1.40	—	—	—	—	"
GOLD C	$300	14	8.50	2	13	—	—	"
GOLD P	$325	19	18	25	25	5	25	"
GOLD P	$350	24	34	—	—	—	—	"
GOLD P	$375	14	54	—	—	—	—	"
12¾ NL 81 87-91								
C	F.112.50	—	—	50	2	—	—	F.113
P	F.117.50	—	—	—	—	180	1	"
10¾ NL 80 86-95								
C	F.105	30	0.40	—	—	—	—	F.101.90
C	F.100	20	1	—	—	—	—	"
10 NL 82 86-89								
C	F.100	204	0.60	—	—	—	—	F.98.90
		July		Oct.		Jan.		
AKZO C	F.25	—	—	37	1.60	30	2.40	F.24.80
AKZO C	F.27.50	—	—	57	0.80	9	1.40	"
AKZO C	F.30	27	0.20	6	0.50	—	—	"
AKZO C	F.32.50	—	—	45	0.20	—	—	"
AKZO P	F.22.50	5	0.40	—	—	—	—	"
AKZO P	F.25	45	1	108	1.50	10	2.50	"
AKZO P	F.27.50	117	2.90	30	3.20	—	—	"
AKZO P	F.30	68	5.40	29	5.40	—	—	"
AMRO C	F.50	7	2	—	—	—	—	F.51.60
AMRO P	F.55	—	—	7	4.40	—	—	"
HEIN C	F.60	—	—	8	4	—	—	F.60.20
HEIN C	F.65	—	—	—	—	5	2.80	"
HOOG C	F.15	—	—	—	—	17	2	F.15.10
KLM C	F.100	18	4.30	—	—	—	—	F.96.80
KLM C	F.110	38	1.70	25	4.50	—	—	"
KLM C	F.120	4	0.80	—	—	—	—	"
KLM P	F.80	5	0.60	—	—	—	—	"
KLM P	F.90	15	1.60	8	3.70	—	—	"
KLM P	F.100	—	—	6	7	—	—	"
KLM P	F.110	17	13.50	—	—	—	—	"
NEDL C	F.130	10	0.80	—	—	10	4.70A	F.118
NEDL P	F.110	5	0.80	10	2.40	—	—	"
NATN C	F.115	6	2	9	3	22	4	F.112.70
NATN C	F.120	—	—	—	—	4	1.60	"
NATL P	F.115	—	—	—	—	6	4.50	"
PHIL C	F.22.50	45	1.60	26	2.60A	16	3.20	F.23.80
PHIL C	F.25	16	0.40	64	1.10	15	1.90	"
PHIL C	F.27.50	20	0.10	—	—	20	0.70A	"
PHIL P	F.22.50	—	—	—	—	10	0.80	"
PHIL P	F.25	—	—	5	1.80	—	—	"
RD C	F.90	78	3.80	301	6.60	5	5.70	F.91.70
RD C	F.100	34	0.60	46	1.80	61	2.70	"
RD P	F.70	—	—	10	0.50	—	—	"
RD P	F.90	30	1.80	305	3.70	—	—	"
RD P	F.100	—	—	—	—	5	10.70	"
UNIL C	F.150	30	0.30	—	—	—	—	F.146.90
UNIL P	F.140	25	0.80	—	—	—	—	"
		Aug.		Nov.		Feb.		
MANN C	DM.150	—	—	10	2.50	—	—	DM143
SLUM C	$50	4	1⅛	—	—	—	—	$43⅞
VW C	DM.140	20	14	—	—	—	—	DM153.40
VW C	DM.150	20	6	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 2775

A=Asked B=Bid C=Call P=Put

UK COMPANY NEWS

MEPC shows £2m rise at halftime

INCREASED RENT from reversions and lettings of completed properties have enabled MEPC, the property investment, development and trading group, to increase pre-tax profits from £12.68m to £14.6m for the six months to March 31 1982.

Although profits increased, the directors say that the movement of sterling against the currencies of other countries in which the company invests, has had an adverse effect on results when compared with the previous year.

Stated earnings per 25p share moved up from 4.4p to 4.7p for the half year while as predicted the interim dividend is held at 2p net on capital increased by the £62m rights issue in January —last year's final payment was 4.5p.

Gross rental income for the first half rose by £8.89m to £41.16m. Other income totalled £5.31m (£4.98m), but property outgoings and other charges took £17.27m (£13.37m) and finance costs accounted for £17.61m (£13.26m). Pre-tax figures included a transfer of £3.01m (£2.05m) equivalent to interest and other outgoings applicable to development properties.

Tax was almost £1m higher at £6.04m, against £5.08m, and after deducting minorities of £148,000 (£100,000), the attributable surplus was ahead from £7.49m to £8.42m.

In the UK the company has now commenced work on its 100 per cent pre-let office development adjoining the Friary, Guildford to be known as Sterling Winthrop House; its shopping development at Briggate, Leeds with the principal store pre-let to Habitate; and the two freehold office refurbishments in Devonshire Square, London EC2.

In the U.S., the company has recently commenced the first phase of Qurom office development in N. Dallas to be known as the Collonade.

In each of these projects MEPC has retained 100 per cent of the equity, with finance being provided partly from cash resources arising from the rights issue, from the sale of properties which no longer fit its policy of investment, and by debt raised from external sources.

Leighton Goldhill, acting on behalf of MEPC, has let 1,860 sq ft of offices at 1 Great Cumberland Place, Marble Arch, to a Saudi Arabian government agency, at an annual exclusive rental of £31,000.

Brunning back in black for year

Brunning Group, the London-based advertising agency, turned round from a loss of £244,000 to a pre-tax profit of £203,000 in the year to March 31 1982 on turnover up from £41.98m to £43.11m.

Net profits fell from £205,000 to £135,000 but with a final dividend of 2.8p net the total payment is lifted from 4.025p to 4.375p per 25p share, for which earnings amounted to 4.4p (6.7p).

At the interim stage, pre-tax profit was down from £306,000 to £287,000.

Mr Geoffrey Brunning, chairman, says that in spite of a reasonably satisfactory turnround in the fortunes of the group, profitability did not progress as he had hoped. The remedial action taken last year to improve profitability will be intensified still further in the current year and he says he is confident that this will have a marked effect on results.

The group is now in a strong financial position. The medium term loan has been repaid to the Midland Bank, loan stockholders have been repaid in full and bank borrowings are virtually nil.

"I am confident that we shall produce an improvement in the level of profits in the current year provided we are not adversely affected by unexpected external factors beyond our control," the chairman adds.

	1981-82	1980-81
	£000	£000
Turnover	43,112	41,978
Operating profit	289	130
Interest	86	374
Profit before tax	203	*244
Tax	68	†449
Net profit	135	205
Extraord. credits	186	‡66
Attributable	321	139
Dividends	132	121
Retained	189	18

* Loss. † Credit. ‡ Debits.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Fleming American Investment Trust, Griqualand Exploration and Finance, Keystone Investment, Lake and Elliot, Marley, Stilfontein Gold Mining, West Rand Consolidated Mines.

Finals: Allied-Lyons, Buffelsfontein Gold Mining, Clydesdale (Transvaal) Collieries, Coalite, De La Rue, Dunhill, Harrisons and Crosfield, Readicut International, Telfos, Trans-Natal Coal.

FUTURE DATES

Interims—

Clyde Blowers	June 3
Dobson Park Industries	June 4
Plaxtons (GB)	June 15

Finals—

British Steam Specialties	June 17
Century Oils	June 3
Country Gentlemen's Association	June 28
Cropper (James)	June 18
Latham (James)	July 8
London Prudential Inv. Tst.	June 7
Scoscros	June 8

Murray Technology at £0.19m

IN THE period from February 11 1981 to March 31 1982, Murray Technology Investments reported revenue before tax of £191,000. For the four months to September 30 1981 the figure was £166,000.

The company was incorporated on February 11 1981 and its prospectus was issued on May 22 1981. It specialises in investment in unlisted high-technology companies.

A dividend of 0.75p per 25p share will be paid. No interim was declared. Earnings per share are given at 1.1p, ahead of the 0.9p predicted in the interim report, and net asset value per share as 96.8p.

Gross revenue of £366,000 was made up of £86,000 franked, £280,000 unfranked and £459 underwriting. Tax took £80,000, leaving £110,000 available for ordinary shareholders.

The directors say considerable progress has been made in pursuit of the company's main aim of establishing a sound portfolio of unlisted high technology companies across a broad spectrum of industries.

It still keeps a significant interest in CASE, which is now listed, but will lose its direct interest in J. K. Lasers, which has been the object of a bid by Lumonics of Canada, a listed company.

The list of geographical spread of equity investments is headed by the UK (12.1 per cent listed and 40.1 per cent unlisted) and the U.S. (14.5 per cent listed and 22.6 per cent unlisted). By sector, the greatest proportion is invested in electronics (10.6 per cent listed and 26.1 per cent unlisted).

The directors say the price performance of listed high-technology sectors in Japan and North America has been poor and worse than markets as a whole, but the company has produced a stable performance.

Companies satisfying Murray's investment criteria — well-managed, soundly financed, profitable and with good growth prospects—are becoming harder to find. The directors also wish to invest in companies at an earlier stage of development which are well managed and work with technologies with potential for profitable growth, but these higher-risk investments are to be kept in the minority.

The directors see the U.S. market as offering the greatest potential for rising stock prices, and expect high interest rates to come down to allow the economy to recover from the recession.

Standstill at Energy Services

TAXABLE PROFITS of Energy Services & Electronics remained static at £1.51m for the 1981 year despite a foreign exchange gain this time of £112,000, against a previous loss of £26,000.

Earnings per 10p share are shown to have fallen from 3.37p to 2.8p but the dividend total is being increased from 0.75p to 0.875p net by a final of 0.525p.

The profit figure was also struck after interest charges of £545,000 (£492,000) and higher depreciation of £1.06m, compared with £866,000.

Full year turnover of the group, a manufacturer of electric and electronic components, improved by 7.3 per cent to £13.43m (£12.57m). Direct exports showed a slight increase to £4.59m, a substantial drop in sales to North America being offset by increased sales to EEC countries.

Tax took £254,000 (£256,000), the overseas charge being higher at £187,000 (£132,000) because of a greater contribution to profits by the overseas companies. Minorities accounted for £3,000 (£13,000 credit) and there were extraordinary losses of £10,000 (£12,000) in respect of former subsidiaries.

Tax applicable to excess capital allowances now amounts to £989,000 and is still being provided in full. No credit has been taken for tax losses of £190,000 and ACT of £184,000, both of which are being gradually absorbed. For 1981 and 1982, tax actually payable will be restricted to overseas tax and ACT on current dividends.

Attributable profits emerged at £1.04m (£1.26m) from which dividend payments absorb £329,000 (£282,000).

On a CCA basis pre-tax profits came through at £1.27m (£1.13m) and earnings per share at 2.12p (2.35p).

Little change at M & G Second Dual

Almost unchanged pre-tax revenue has been shown by M & G Second Dual Trust for the year to May 31, 1982. The taxable surplus was £1.13m against £1.11m.

At half time profits were just £274 lower at £629.197 and the directors stated that the final dividend would be not less than 3.5p. The total is being lifted from 7.8p to 7.88p net by a final of 3.58p.

Glossop rises to £0.5m in line with forecast

DESPITE BAD winter weather, public works contractor Glossop saw a satisfactory rise in pre-tax profit from £376,000 to £529,000, as forecast, for the year to January 31 1982 despite lower turnover of £15.2m, against £17.03m.

At six months, the company showed a pre-tax profit of £405,000 (£280,000).

A second interim dividend of 3.508p net per share, as forecast, in lieu of a final (3.046p the year before), makes 5.084p for the year, against 4.622p. Earnings per 25p share are given as 8.3p (5.6p).

Tax rose from £115,000 to £143,000 and there was an extraordinary credit of £47,000 (£11,000 debit).

Mr D. M. Burnell, chairman, says the profit was achieved despite weather which brought most of the company's operations to a standstill in December and part of January.

RESULTS AND ACCOUNTS IN BRIEF

CHANNEL TUNNEL INVESTMENTS—Gross income from listed investments £15,997 (£9,348) for 1981. Interest receivable £499 (£6,846); administration expenses £10,010 (£9,541). Pre-tax profit £6,486 (£6,653). Tax £2,595 (£2,646). Earnings per 5p share 0.28p (0.27p).

CENTRAL AND SHEERWOOD (engineering and publishing and financial services)—Results for 1981, reported April 29. Shareholders' funds £26.29m (£26.6m). Fixed assets £15.64m (£16.01m). Net current assets £18.94m (£13.52m). Increase in bank overdrafts £3.62m (£481,000 decrease). Meeting: Hyde Park Hotel, SW, June 10, noon.

MANOR NATIONAL GROUP MOTORS—Results for the year ended December 31, 1981, and prospects already known. Shareholders' funds £7.24m (£7.93m). Fixed assets £8.78m (£8.9m). Net current assets £858,000 (£1.72m). Chairman says company traded at break-even in first quarter of current year. Meeting: Manchester, June 18, noon.

S. W. FARMER GROUP (structural steelwork and platework)—Results for 1981 and prospects reported March 10. Shareholders' funds £5.3m (£4.86m). Current assets £10.36m (£6.89m), including bank and cash balances £1.12m (£173,000) and stock and work in progress £1.63m (£3.05m). Current liabilities £7.39m (£3.59m), including bank overdraft nil (£578,000) and creditors £6.89m (£2.38m). Accounts show an ex-gratia payment of £24,000 (nil) was paid to a former director. Directors anticipate positive cash flow on trading in current year. Meeting: Founders Hall, EC, June 11, noon.

ESTATE DUTIES INVESTMENT TRUST—Results for year to March 31, 1982, already known. Investments £27.17m £26.71m). Current assets £377,485 (£854,915), current liabilities £1.52m (£1.89m). Shareholders funds £25.98m (£25.73m). Net decrease in liquid funds £254,029 (£1.48m). Classification of investments shows continuation of trend towards service industries and electronics, and away from construction, clothing, printing and publishing. Company proposes to change its name to EDITH plc. Meeting, The Skinners' Hall, EC, June 23, at 12.15 pm.

FRANCIS SHAW (machinery manufacturer for rubber, cable and plastics industries)—Results for 1981 and prospects reported May 7. Shareholders' funds £1.93m (£2.06m). Fixed assets £1.11m (£1.17m). Net current assets £1.05m (£1.12m). Decrease in working capital £71,952 (£923,392). Meeting: Manchester, June 11, 2 pm.

CLIVE DISCOUNT HOLDINGS (discount house)—Results for year to March 31 1982 reported April 27. Shareholders' funds £6.72m (£6.03m); fixed assets £183,912 (£199,353); associated company £1.01m (£494,168); current assets £254m (£256.04m); current liabilities £247.98m (£250.2m). Meeting: Royal Exchange Avenue, EC, June 15 at noon.

TERN-CONSULATE (maker of shirts, ties and knitwear)—Results for 1981 already known. Fixed assets £805,827 (£787,574); net current assets £1.29m (£1.22m); bank overdraft (secured) £552,230 (£970,702). Shareholders funds £2.09m (£1.91m). Meeting: Tottenham, N, June 11, noon.

BREMAR TRUST (investment trust)—Second interim dividend for year to March 31, 1982, 1.2p, making a total of 2.2p (2.1p). Preliminary results for the year are being audited and a date for their announcement will be made in due course.

NORTHERN GOLDSMITHS—Results for year ended February 28, 1982, reported November 1, 1981. Group fixed assets £1.71m (£1.58m). Net current assets £1.84m (£1.69m)—bank balances and cash £225,711 (£524,898). Meeting: Newcastle-upon-Tyne, June 17, at noon.

WHITTINGTON ENGINEERING—Final 2.1p making 3.5p (same) for year to March 31 1982. Turnover £1.132m (£1.409m). Pre-tax profit £85,502 (£126,607). Tax £34,201 (£26,190). EPS 4.28p (8.37p).

MORLAND AND CO. (brewer)—Interim 1.5p (same) and pre-tax profit £801,282 (£715,137) for half year to March 31 1982.

NEW CAVENDISH ESTATES (property investor)—For half year to December 31 1981: pre-tax profits £7,740; turnover £321,580; tax nil; stated earnings per 5p share 0.22p.

G. AND G. KYNOCH—No interim (same). Turnover £596,000 (£810,000) half year to February 28 1982. Pre-tax loss £217,400 (profit £9,414) after interest £15,939 (£637).

CAPITAL GEARING TRUST—Dividend 0.25p (same) year to April 5 1982. Profit after tax £3,280 (£6,765). Earnings per share 0.3p (0.6p).

WINTERBOTTOM ENERGY TR—Net asset value per ordinary share at close on May 31 1982 was 58.0p, after deduction of prior charges at par and 60.8p after deduction prior charges at market value.

GOLD BASE METAL MINES—No dividend for 1981—Pre-tax loss £11,782 (loss £51,025) after loss on exchange £7,306 (£30,381). Tax credit £5,380 (£1,128). Extraordinary debit £32,464 (£1,082). Loss per share 0.1p (£0.81p). Extraordinary item is a provision for payments to expatriate staff following acquisition of the majority of company's Nigerian interests. Company recently received approval to remit all sale proceeds (£330,000) of the 60 per cent interest in its Nigerian investment, but has not yet been allotted foreign exchange by authorities in Nigeria to complete the remittance.

Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)

Preliminary Profit Announcement and Consolidated Balance Sheet and Notice of Final Dividend on the Ordinary Shares.

Subject to final audit, the abridged consolidated income statement of the Corporation and its subsidiary companies for the year ended March 31 1982 and the abridged consolidated balance sheet at that date, are as follows:

CONSOLIDATED INCOME STATEMENT

	1982 R millions	1981 R millions
Investment income	479.2	565.8
Interest earned and fee income less expenses	155.7	151.6
Trading profits	254.2	25.9
Surplus from life insurance	7.8	—
Surplus on realisation of investments	6.4	17.3
	903.3	760.6
Interest paid	151.9	99.8
Costs of prospecting	36.0	28.5
Provision against investments	—	10.0
Provision against loans	—	10.0
	187.9	148.3
Profit before taxation	715.4	612.3
Taxation	102.4	26.2
Profit after taxation	613.0	586.1
Outside shareholders' interests in profits of subsidiary companies	104.7	54.6
Preferred stock and preference share dividends	4.5	4.5
	109.2	59.1
	503.8	527.0
Share of retained profits of associated companies	266.2	339.0
Profit before extraordinary items	770.0	866.0
Ordinary dividends (Note 2)	248.5	248.3
Retained profit before extraordinary items	521.5	617.7
Extraordinary items (Note 3)	(34.1)	(6.9)
Retained profit after extraordinary items	487.4	610.8
Unappropriated profit, March 31 1981	63.2	20.1
Adjustments to unappropriated profit brought forward	10.8	3.0
	74.0	23.1
	561.4	633.9
Appropriations to reserves:		
Non-distributable reserve	243.0	386.4
Currency reserve	—	(4.2)
General reserve	216.5	188.5
	459.5	570.7
Unappropriated profit, March 31 1982	101.9	63.2

CONSOLIDATED BALANCE SHEET

	1982 R millions	1981 R millions
Ordinary shareholders' equity		
Ordinary share capital	22.6	22.6
Share premium	20.9	17.7
Non-distributable reserves	1 348.4	1 036.8
Distributable reserves	1 196.0	933.4
	2 587.9	2 010.5
Preferred stock and preference shares		
Preferred stock	4.8	4.8
Preference share capital	1.0	1.0
Preference share premium	39.0	39.0
	44.8	44.8
	2 632.7	2 055.3
Outside shareholders' interests in subsidiary companies	392.6	285.8
Life insurance funds	1 022.0	823.5
Deferred taxation	138.9	101.2
Loan capital	192.8	196.5
Loans from associated companies and others	1 176.7	1 425.2
Other liabilities		
Creditors	255.0	191.9
Shareholders for dividends	170.5	170.4
Dividends due to outside shareholders in subsidiary companies	23.1	41.6
Bank overdrafts	11.3	11.8
	459.9	415.7
	6 015.6	5 253.2
Represented by:		
Investments (Note 4)		
General investments	342.1	281.1
Interest in associated companies	2 336.3	1 858.6
	2 678.4	2 139.7
Life insurance investments	1 050.0	839.7
Fixed assets	868.9	662.5
Other assets		
Stocks, stores and township property	68.5	57.9
Debtors	326.4	312.3
Loans to associated companies and others	356.3	204.9
Cash on deposit and at call	667.1	1 036.2
	1 418.3	1 611.3
	6 015.6	5 253.2

Notes:

1. Shareholders are reminded that Anglo American Coal Corporation Limited and Anglo American Properties Limited became subsidiaries of the Corporation in mid-February 1981. Consequently the results for the year ended March 31 1981 included their profits only from that date. The results for the year ended March 31 1982 include the profits of those companies for a full year.

2. Ordinary dividends comprise:

	1982 R millions	1981 R millions
No. 91 (interim) of 35 cents per share (1981: 35 cents) declared November 26 1981	79.0	79.0
No. 92 (final) of 75 cents per share. (1981: 75 cents) declared June 1 1982	169.5	169.3
	248.5	248.3

3. Extraordinary items include charges arising from the equity accounting of associated companies totalling R29.5 million which relates largely to goodwill written off.

4. The market and directors' value of investments are:

	1982 R millions	1981 R millions
General investments:		
Listed—market value	972.1	1 270.2
Unlisted—directors' valuation	191.8	162.7
	1 163.9	1 432.9
Associated companies:		
Listed—market value	3 296.5	4 704.9
Unlisted—directors' valuation	345.1	306.4
	3 641.6	5 011.3

5.

	1982	1981
Number of ordinary shares in issue	226 020 156	225 742 998
Net asset value per share adjusted for market value and directors' valuation of investments—cents	2 040	2 697
Earnings per share before extraordinary items:		
Excluding share of retained profits of associates—cents	223	233
Including share of retained profits of associates—cents	341	384
Dividends per ordinary share—cents	110	110

6. It is intended to post the sixty-fifth annual report of the Corporation in respect of the year ended March 31 1982 on or about June 28 1982.

FINAL DIVIDEND

A final dividend (No. 92) of 75 cents a share (1981: 75 cents) in respect of the year ended March 31 1982 has been declared payable on July 23 1982 to holders of ordinary shares registered in the books of the Corporation at the close of business on June 18 1982 and to persons presenting Coupon No. 97 detached from share warrants to bearer. This dividend, together with the interim dividend of 35 cents a share declared on November 26 1981, makes a total of 110 cents a share for the year (1981: 110 cents). A notice regarding payment of this dividend to holders of share warrants to bearer will be published in the Press by the London Secretary on or about June 11 1982.

The ordinary share transfer registers and the ordinary section of the register of members will be closed from June 19 to July 2 1982, both days inclusive, and warrants will be posted from the Johannesburg and the United Kingdom offices of the transfer secretaries on or about July 22 1982. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on June 21 1982 of the rand value of their dividends (less appropriate taxes). Any such shareholders may however elect to be paid in South African currency, provided that the request is received at the offices of the Corporation's transfer secretaries in Johannesburg or in the United Kingdom on or before June 18 1982.

The effective rate of non-resident shareholders' tax is 14.1010 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the Corporation and at the offices of the Corporation's transfer secretaries. Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001, and Charter Consolidated P.L.C., Charter House, Park Street, Ashford, Kent TN24 8EQ.

By order of the board
C. L. MALTBY
Secretary

Head Office:
44 Main Street
Johannesburg 2001
June 2 1982

London Office:
40 Holborn Viaduct,
London EC1P 1AJ

COMMODITIES AND AGRICULTURE

Drought hits Indian tea output

By P. C. Mahanti in Calcutta

A PROLONGED drought in eastern India has hit the tea crop in Assam very hard. According to tea industry sources the north Indian crop of which the main, part comes from Assam was 20 per cent behind last year's figures at the end of April.

Harvesting picked up a bit in the first half of May but suffered a setback in the second half due to a searing hot spell prevailing since then.

It is also feared that the second flush of the north Indian crop will be delayed because of bad weather.

The drought has also affected the jute crop in West Bengal which produces two thirds of the total Indian crop. In jute growing districts of the state young plants have been dying away for want of rain since the beginning of May.

Israeli citrus exports down

By L. Daniel in Tel Aviv

ISRAELI citrus exports are still lagging 3m cases behind those of the 1980-81 season and are not expected to exceed 43m cases as compared with 47m cases sent abroad in 1980-81.

Later despatch of fruit has been made possible by the delay in the onset of summer temperatures of over 25 deg C (current temperatures are 5 degrees lower than the average for this time of the year). Shipments of grapefruit and of Valencia-type oranges are therefore proceeding apace at the rate of about 400,000 cases each per week.

Total shipments up to May 23 had reached 39,490,000 cases as compared with 42,450,000 up to the same date last year. The main shortfall now is in shipment of regular grapefruit (9.5m cases as against 10.8m cases a year earlier) and in the Valencia-type oranges being shipped now (5.8m cases as against 8.1m cases). On the other hand, small but significant rises have been reported in exports of the varieties which have been added in recent years, such as easy peelers (1,850,000 cases so far this season against 1.4m) and pomellos (890,000 cases against 450,000).

Heavy falls in metal markets

BY JOHN EDWARDS, COMMODITIES EDITOR

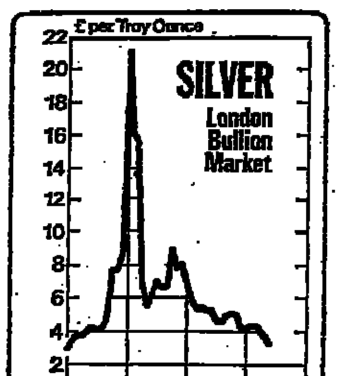
COPPER led a general decline in London metal markets yesterday. Both the cash price and three months quotation for higher-grade copper on the London Metal Exchange fell below £800 for the first time since early 1981, with the cash price closing £32.25 down of £770.5 a tonne.

Silver values dropped to the lowest level for three years, the London bullion spot quotation was marked down by 12.8p to 341.9p a troy ounce at the morning fixing and values eased further in later trading. Cash tin slumped by £177.5 to £6,675 a tonne making a loss of over £400 in the past three weeks.

Cash zinc fell by £7.75 to a year's low of £405.5 a tonne.

Cash lead lost £6 to £307.75 a tonne, following news that Asarco had cut its U.S. domestic selling price by 1 cent to 25 cents a pound.

Nickel was the only market to close higher. But the cash price was only £7.5 up at £2,955 a tonne in spite of confirmation that a strike had started at International Nickel's Sudbury mines and Port Colborne refinery. It was claimed that there are sufficient stocks of nickel to last for several months and the strike has already been widely discounted by the market.



Inco's Sudbury mines also produce copper, and with the Canadian Copper Refinery, still on strike, Canadian production has been brought almost to a standstill.

However this did not prevent two Canadian producers, Noranda and Hudson's Bay, and Asarco in the U.S., cutting their domestic U.S. copper selling prices by 3 cents to 72 cents a pound.

This fresh sign of the weakness of demand for copper in the U.S. triggered off further selling by speculators, who had previously bought in anticipation of a recovery in the U.S. economy developing.

The failure of U.S. interest rates to fall significantly, and gloomy forecasts that the recession could last longer than expected well into next year, has undermined sentiment completely, although some traders believe the market may have become oversold and is, therefore, due for a technical rally.

One encouraging sign was that the recent build-up in copper stocks held in LME warehouses halted last week when total holdings fell marginally by 100 to 144,200 tonnes. Tin stocks also fell by 1,340 to 35,560 tonnes. However the market came under heavy selling pressure on the belief that thsupport buying by the buffer stock of the International Tin Council was gradually easing off because of a shortage of funds. The buffer stocks has been the prime influence in holding prices even at the present depressed level.

Aluminium values also lost ground, in spite of stocks falling by 3,900 to 217,925 tonnes. Nickel holdings fell by 564 to 3,366 tonnes. Lead rose by 1,075 to 88,800 tonnes; zinc by 600 to 61,755; and LME silver holdings went up by 770,000 to 34,620,000 ounces.

Producers may block rubber output cut

KUALA LUMPUR—Western diplomats said yesterday a proposal by main rubber producing countries to withhold supplies from the market could be challenged by consumer members of the International Natural Rubber Agreement (INRA).

Consuming countries are studying the move to hold off 350,000 tonnes and some sources said the measure seems to run counter to provisions in the 30-nation Rubber Pact.

The association of natural rubber producing countries (ANRPC) agreed at a meeting last month that denying rubber to the international market would be the best step to sabilise prices and hasten a market recovery.

The producers, led by Malaysia, were angered by a decision of the INRA Council three weeks ago to lower the pact's buffer stock price range by 1 per cent.

In Bangkok, meanwhile, a senior Agriculture Ministry official said Thailand plans to grow an additional 320,000 acres of rubber between now and 1986 as part of its policy to substitute tapioca with other crops.

Mr Thavorn Visetchinda, director of the Rubber Estate Organisation, said 80,000 acres of new rubber plantations will be started in eastern Thailand this year with an additional 80,000 acres being added each year until 1986.

Thailand has been hurt by a dwindling tapioca market abroad, especially by recent import cutbacks by the EEC which buys about 90 per cent of the crop.

● India will have an estimated natural rubber production shortfall of 35,000 tonnes in the curent season ending next March, against one of 39,000 the previous year, and will have to import a total of 30,000 tonnes, Rubber Board chairman Mr K. Mohanchandran said in New Delhi.

He said output was put at 162,000 tonnes against consumption of 197,000 tonnes. Production was affected by last year's prolonged rains which disrupted tapping.

Output last year totalled 147,000 tonnes against consumption of 186,000 tonnes.

Export sales cut sugar price

By Richard Mooney

WORLD SUGAR values fell to new 2½-year lows yesterday following news that India had invited bids for whites shipments. Traders noted that this was the first selling tender to be held by India since last November.

As a result the London daily raw sugar price, which had edged up from the low level reached in mid-May, fell £7 to £104 a tonne. Some dealers thought the fall might also have been encouraged by reports of Australian and South African selling to Japan but others said this represented long-term trade arrangements and was not significant. There was also talk of Peru and Brazil entering the market as sellers in the next few weeks.

The Indian selling comes at a time when the spate of whites buying on the world market, which helped to steady prices in late May, has more or less evaporated.

Thai sugar exports in the first four months of this year rose to 637,668 tonnes from 275,999 tonnes shipped during the corresponding period last year, the country's Board of Trade reported in its weekly bulletin.

The U.S. and the Soviet Union were the main buyers during the period with 237,964 and 199,380 tonnes respectively.

According to the Board, Thailand will be able to export 1.78m tonnes of sugar from the 1981-82 crop (November to May). This is 400,000 tonnes more than its International Sugar Organisation export quota.

● Other soft commodities also came under renewed pressure yesterday with the September cocoa on the London futures market ending £28 down at a new 11-month low of £915.50 a tonne, and September coffee declining £31.50 to £1,124.50 a tonne.

WOOL MARKET

Cost-saving for a secure future

BY A CORRESPONDENT IN MELBOURNE

WHEN BOARD members of the International Wool Secretariat from Australia, New Zealand, South Africa and Uruguay meet in London this week to review the past year's activities and plan strategy ahead, it is the future that will offer the most to talk about.

Giving glimpses of it in his Melbourne office Mr David Asimus, chairman of the Australian Wool Corporation, largest contributor to the IWS's annual £50m budget, said that although the industry's mood throughout the recession had been one of confidence, it looked ahead with some nervousness because costs had risen faster than returns and it was imperative to curb them. This it is doing on many fronts.

The wool pipeline is long. Australia, in addition to helping finance the worldwide IWS programme of research and promotion, is spending A$20m a year within its own shores on efforts to lower costs and raise efficiency at whatever points it can exert influence in wool's journey from sheep to shop.

In spite of high interest rates and the fact that economists put wool's return on investment at a mere 2 per cent compared with 6 per cent for wheat, which often represents an alternative land-use, producers are continuing to invest and expand the national flock, now down to 134m but expected to recover to 150m—compared with an all-time high of 180m in 1971—within five years.

The extra output may be needed, for although wool consumption is falling slowly in Western Europe the trend is more than balanced by spectacular growth in Russian purchases to an annual 800,000 bales or 20 per cent of the clip, and in those of China, whose buying has risen from 40,000 to 250,000 bales in three years. After declining during the 1970s, the U.S. market also seems poised to forge ahead.

A threat to the hoped-for expansion in wool production is the possibility that OPEC countries, facing trade deficits in the place of the massive surpluses of the recent past, may curtail the trade that has sprung up over the past decade in live sheep to the Middle East, now running at 6m head a year and accounting for 18 per cent of the total annual "disappearance" of Australian sheep and lambs. Loss of this outlet for animals nearing the end of their wool-producing lives would remove a component that has become vital to the industry's economy.

High-density pressing of wool for containers is the development that has done most to cut costs for the Australian producer. About 33 farm bales used to be all a container could take. Normal density dumping to 275 kg a cubic metre lifted the contents to 63 bales. Then came the revolutionary "jumbo system," dispensing with farm bales and compressing wool into a single unit with density of 425 kg.

Meanwhile, experiments with compression are going even further. Now at the prototype stage is a high-temperature method that removes all moisture and produces a solid brick of wool at close to the fibre's specific density and weighing 800 kg a cubic metre.

With high interest rates tending to hold commercial stocks down and order patterns changing, Australia is processing more wool than it used to, about a fifth of the clip being turned into tops or combings for shipment abroad or further manufacture at home.

N. Zealand increases sales to Japan

BY DAI HAYWARD IN WELLINGTON

THERE HAS been a resurgence of activity in the Japanese wool industry this year. Japan has increased its buying of New Zealand wool during the first eight months of the current season by the 50 per cent. It is the top customer for auction sales this season buying 18,020 tonnes. At the same time last season it had taken 12,281 tonnes.

Last season Japan was only fourth in the buying order. The USSR has maintained its position as New Zealand's second best customer taking 17,744 tonnes.

All four of New Zealand's best customers this season, Japan the USSR, China, and the UK have increased their buying orders. However, although the UK with 15,665 tonnes has bought 3,000 tonnes more than last season it has slipped one place—to fourth—in the buying order.

The amount of wool sold in New Zealand this season has increased to 154,517 tonnes. The amount of wool sold has increased by 7 per cent but the value of the wool has increased by only 11 per cent. Total receipts for the NZ wool industry this year has been NZ$462m.

The easing of wool prices is reflected in the big drop in the private sale of NZ wool. The first eight months has dropped by 60 per cent to 809 tonnes.

Japan's increased buying from New Zealand this season is part of a 20 per cent increase in raw wool imports into Japan for the first eight months of the season July-February. However the domestic demand for textiles in Japan is still weak said the New Zealand Wool Board and this is reflected in a sharp fall of raw wool imports in the month of February.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER PRICES fell sharply on the London Metal Exchange with forward metal closing at a sixteen-month low of £797.75 following heavy speculative selling which triggered stop-loss selling. The price dipped further in late inter-office dealings with three months quoted around £792 to £794. Other metals fell in sympathy, Lead closing at £320, Zinc at £409.5, Aluminium at £536.25 and Tin at £6,810, the last-named following heavy stop-loss selling in the afternoon. Nickel, however, was finally £3,015, after £3,050, on confirmation of the strike at Inco.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
HighGrde				
Cash	778-.5	-24.5	770-1	-32.2
3 mths	804-.5	-24.5	797.5-8	-31
Settlem't	778.5	-24.5	—	......
Cathodes				
Cash	771-.5	-22.7	762-3	-34.5
3 months	796-7	-24.5	789-90	-31.5
Settlem't	771.5	-25.5	—	......
U.S. Prod.	—	—	*72-78	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £777.00, 77.50, 78.00, three months £810.00, 09.00, 08.00, 08.50, 08.00, 07.50, 07.00, 06.00, 05.50, 05.00, 04.00, 03.50, 04.00. Cathodes, cash £770.00, 71.00, 71.50. Kerb: Higher Grade: three months £805.00, 05.50, 06.00, 07.00, 06.50. Afternoon: Higher Grade, three months £797.00, 98.00, 97.50, 98.00, 98.50, 99.00, 98.50, 98.00, 98.50. Kerb: Higher Grade: Three months £798.50, 98.00, 97.00, 97.50, 98.00, 97.00, 96.50. Turnover: 23,800 tonnes.

Tin—Morning: Standard, cash £6,790, three months £6,940, 30, 20, 10, 15, 10, 05, 10. Kerb: Standard, cash

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	6785-90	-65	6670-80	-177
3 months	6905-10	-82.5	6790-800	-185
Settlem't	6790	-65	—	......
Standard				
Cash	6785-90	-65	6670-80	-177
3 months	6905-10	-75	6790-800	-185
Settlem't	6790	-65	—	......
Straits E.	$29.21	......	—	......
NewYork	—	......		

£6,790, three months £6,905, 10. Afternoon: Standard: cash £6,760, three months £6,890, 6,900, 01, 10, 05, 6,900, 6,885, 75, 70, 60, 50, 45, 40, 35, 6,800. Kerb: Standard: Three months £6,800, 6,790, 70, 80, 6,800, 10, 6,800, 6,780, 70, 80, 6,800, 10, 20, 10. Turnover: 2,180 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	307-.25	-6.62	307.5-8	-6
3 months	319.5-20	-6.25	319-.5	-6.75
Settlem't	307.25	-4.75	—	......
U.S. Spot	—	......	*26-8	......

Lead—Morning: Cash £307.25, three months £318.00, 19.00, 19.50, 20.00, 20.50, 20.00, 19.50. Kerb: Three months £319.50, 19.00, 18.00, 18.50. Afternoon: Three months £317.00, 16.00, 16.50, 17.00, 18.00, 18.50, 19.00, 19.50, 19.00. Kerb: Three months £313.00, 17.00, 16.00, 17.00, 18.00, 19.00, 20.00. Turnover, 21,625 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	406.5-6	-7.5	405-6	-7.75
3 months	411.5-.75	-8.62	411-2	-8.75
S'ment	406	-7.5	—	......
Primw'ts	—	......	*35-37.75	......

Zinc—Morning: Cash £405.50, three months £411.00, 11.50, 12.00, 11.50. Kerb: Three months £411.00, 11.50, 12.00. Afternoon: Cash £404.00, three months £410.00, 10.50, 11.00, 12.00, 11.50, 11.00, 10.00, 10.50, 11.00. Kerb: Three months £409.50, 09.00, 08.50, 09.00, 10.00. Turnover: 10,225 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	517.5-8.5	-2.25	515-6	-4.75
3 months	538.5-9	-1.5	536-8	-3.25

Aluminium—Morning: Three months £540.00, 40.50, 39.00, 40.00, 39.50, 39.00. Kerb: Three months £539.00, 40.00. Afternoon: Three months £538.00, 37.50, 37.00, 36.50, 36.00. Kerb: Three months £536.00, 36.50, 36.00. Turnover: 10,775 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	2983-5	+36.5	2950-60	+7.5
3 months	3050-5	+48	3015-25	+7.5

Nickel — Morning: Three months £3,050, 45, 50. Afternoon: Three months £3,040, 35, 25, 20, 25. Kerb: Three months £3,000. Turnover: 330 tonnes.

SILVER

Silver was fixed 12.8p an ounce lower for spot delivery in the London bullion market yesterday, at 341.90p. U.S. cent equivalents of the fixing levels were: spot 609.6c, down 28c; three-month 631.8c, down 26.4c; six-month 653.3c, down 28.6c; and 12-month 697c, down 31c. The metal opened at 343-346p (618-622c) and closed at 338-339p (601-605c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	341.90p	-12.8	337.75p	-16.5
3 months	353.20p	-13.0	348.75p	-17.1
6 months	363.90p	-14.1	—	......
12 months	386.35p	-15.6	—	......

LME—Turnover 53 (58) lots of 10,000 ozs. Morning: three months 352.0, 53.0, 53.5, 53.1, 53.2. Kerb: three months 353.6. Afternoon: three months 349.5, 48.1, 48.0, 49.0. Kerb: three months 348.5.

COCOA

Futures eased in thin conditions reflecting a lack of support and offtake among consumers in spite of prices trading at new lows. Sentiment was aided by growing pessimism concerning the ability of the ICCO to defend prices, reports Gill and Duffus.

COCOA	Yest'day's Close	+ or —	Business Done
July	890-91	-28.0	941-89
Sept.	915-16	-28.0	941-15
Dec.	955-57	-27.0	980-55
March	990-91	-24.5	1013-990
May	1015-16	-22.5	1030-15
July	1038-40	-19.5	1050-39
Sept	1053-60	......	1090-70

Sales: 3,623 (1,481) lots of 10 tonnes.

ICCO—Daily price for June 1: 71.48 (73.87). Indicator price for June 2: 74.14 (74.83).

COFFEE

Despite opening slightly steadier prices completed a technical retracement after the recent chart rise, reports Drexel Burnham Lambert. Additional commission house selling occurred before trade buying and dealer profit-taking stabilised prices.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1187-88	-29.0	1220-82
Sept	1124-25	-31.5	1159-21
Nov	1089-90	-28.5	1114-82
January	1075-80	-27.0	1090-72
March	1061-65	-22.5	1060
May	1050-60	-26.0	—
July	1030-60	—	—

Sales: 3,538 (4,335) lots of 5 tonnes.

ICO Indicator prices for May 28 (U.S. cents per pound): Comp. daily 1979 122.54 (122.01); 15-day average 119.88 (119.79).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 380, 385, 382; Oct 396, 398, 396; Dec 400, 405, 401-400; Jan 403, 405, 404-403; March 411, 414, 414-413; May 422, 425, nil; Aug 431, 435, 434; Oct 435, 438, nil; Dec 440, 445, nil. Sales: 35.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 550.5, 550.5, 550.5-549.1; Oct 529.0, 529.5, 529.0; Dec 534.5, 535.0, 535.0-534.5; Mar 538.5, 539.0, 539.0; May 542.0, 543.0, 543.0-542.0; July 547.0, 548.0, 548.0; Oct 545.0, 547.0, 546.5-545.0; Dec 548.0, 550.0, untraded. Sales: 108.

GAS OIL FUTURES

Chart selling in London and New York weakened the market. The volume was very poor reflecting the start of the summer season, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
June	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]

Turnover: 1,449 (915) lots of 100 tonnes.

GRAINS

The market opened unchanged but drifted through lack of interest. Old wheat came under the most pressure with long liquidations against scale down buying. New crop barley was more active than wheat with sell trading largely contributing to the volume, Acli reports.

Mnth	WHEAT Yestrd'ys close	+ or —	BARLEY Yest'rd'ys close	+ or —
July	121.50	[illegible]	—	
Sept	109.05	[illegible]	104.90	[illegible]
Nov	112.70	[illegible]	108.45	[illegible]
Jan	116.60	[illegible]	112.40	[illegible]
Mar	120.00	[illegible]	115.70	[illegible]
May	123.55	[illegible]	118.80	[illegible]

Business done—Wheat: July 122.10-121.20, Sept [illegible], Nov [illegible]-112.60, Jan [illegible], Mar [illegible]-120.15, May [illegible]. Sales: [illegible] lots of 100 tonnes. Barley: Sept [illegible]-104.75, Nov [illegible], Jan [illegible]-112.20, Mar [illegible], May 118.80. Sales: [illegible] lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent June 110.25, [illegible] shipment [illegible]. English Feed fob [illegible] East Coast [illegible]. Maize: [illegible] East Coast. [illegible] June/July [illegible]. Barley: English Feed fob [illegible] East Coast [illegible].

HGCA—Locational ex-farm spot prices. Feed barley: S. East [illegible], S. West [illegible], W. Mids [illegible], N. West [illegible]. The UK Monetary Coefficient for the week beginning Monday June [illegible] (based on HGCA calculations using four days exchange rates) is expected to remain unchanged.

RUBBER

The London physical market opened slightly steadier, attracted little interest throughout the day and closed very dull. Lewis and Peat recorded a June fob price for No 1 RSS in Kuala Lumpur of [illegible] cents a kg and SMR 20 [illegible].

No. 1 R.S.S.	Yest'rd'ys close	Previous close	Business Done
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
Jan-Mar	[illegible]	[illegible]	[illegible]
Apl-Jne	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
J'n-Mch	[illegible]	[illegible]	[illegible]

Sales: [illegible] lots of 15 tonnes, 5 (8) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot [illegible]; July [illegible] (same); Aug [illegible] (same).

SOYABEAN MEAL

The market opened unchanged and drifted in quiet trading, reports T. G. Roddick. Prices eroded further [illegible]

	Yesterdays Close	+ or —	Business Done
	£ per tonne		
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]

SOYABEAN OIL—The market opened $5 lower [illegible]. Further [illegible]. Closing prices and business done (U.S. $ per tonne): [illegible] 508.00; Aug [illegible]; Oct 506.[illegible]; Dec 508.00-09.00, [illegible]; April 515.00-16.50, 516.00; June 520.00-30.00, untraded. Turnover: 149 (69) lots of 25 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £104.00 (£111.00) a tonne cif June-July shipment. White sugar daily price £133.00 (£142.00).

The market opened under intense selling pressure, buyers, fully ware, backed away and scale-down thus making sellers dispose of only small quantities. Selling kept re-emerging to leave values depressed, reports C. Czarnikow.

No. 4 Contract	Yesterday close	Previous close	Business done
	£ per tonne		
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Sales: [illegible] lots of 50 tonnes. Tate and Lyle delivery price for granulated basis white sugar was [illegible] (same) a tonne [illegible] for home trade and [illegible] for export. International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for May 27: Daily price 7.92 (8.08); 15-day average 8.03 (8.07).

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides [illegible]; Ulster hindquarters [illegible], forequarters [illegible]. Veal: Dutch hinds and ends [illegible]. Lamb: English small [illegible], medium [illegible], heavy [illegible]. Imported—New Zealand [illegible]. Pork: English, under 100 lb [illegible], 100-120 lb [illegible], 120-160 lb [illegible].

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle [illegible] per kg lw [illegible]. GB—Sheep [illegible] per kg est dcw [illegible]. GB—Pigs [illegible] per kg lw [illegible].

COVENT GARDEN—Prices for the bulk of produce in sterling per package except where otherwise stated. Imported Produce: Oranges—Cyprus: [illegible] Valencia Lates [illegible]; Jaffa: [illegible] Valencia Lates [illegible]; Moroccan: [illegible]; Outspan: Navels [illegible]. Lemons—[illegible]. Grapefruit—[illegible]. Apples—French: Golden Delicious [illegible]; Granny Smith [illegible]; S. African: [illegible]. Pears—[illegible]. Grapes—[illegible]. Bananas—[illegible]. Avocados—[illegible]. Mangoes—[illegible]. Tomatoes—[illegible]. Cucumbers—[illegible]. Potatoes—[illegible]. Onions—[illegible]. Peppers—[illegible]. Capsicums—[illegible]. Green 6.00, Red 6.50, Yellow 9.50, White 9.00. Cabbages—Dutch: White 7.80-8.00, Red 6.00-6.00. Broad Beans—French: 5-kg 3.00. Sugar Peas—French: 4-kg 3.50; Guatemala: 10-lb 8.00; Jersey: Per pound 1.20. Carrots—U.S.: 48 by 1-lb 9.60; Dutch: 22-lb 2.50; Cyprus: 22-lb 2.60; Italian: 22-lb 2.20-2.40; French: Nantes 26-lb 3.20-3.60; Spanish: 5-kg 1.10-1.20. Cucumbers—Dutch: 12/24 2.00-2.20. Chicory—Belgian: 3-kg 3.60. Peas—Italian: 5-kg, per pound 0.35-0.40. New Potatoes—Canary: 12½-kg ware/mids 3.50, 25-kg ware/mids 6.00; Brittany: 25-kg 8.50; Cyprus: 20-kg 7.50-7.60; Egyptian: Spring crop 20-kg 5.40-6.00; Jersey: per pound 0.18-0.20. Aubergines—Dutch: 5-kg 3.60-4.00. Celery—U.S.: 30s 10.00; Spanish: 14s 3.60. Courgettes—French: 5-kg 2.60-4.00; Italian: 5-kg 2.80-3.00. Asparagus—U.S.: Per pound 1.20-1.40. Beetroots—Cyprus: New season 28-lb 3.00. Turnips—French: New season 28-lb 2.80-3.00.

English Produce: Potatoes—Per 55-lb, White 5.00, Red 4.60-5.50, King Edwards 5.00-5.50; per pound new 0.16-0.18. Mushrooms—Per pound, open 0.50-0.60, closed 0.60-0.80. Apples—Per pound, Bramley 0.20-0.34. Lettuce—Per 12, round 0.60-1.60, Cos 10s 2.00; Webb's 2.00. Onions—Per 55-lb 40/80mm 3.00-4.20. Spring Onions—Per bunch 0.12-0.14. Spring Cabbage—Per 25-lb 2.00. Carrots—Per 26/28-lb 2.00-3.00. Beetroots—Per 28-lb, round 1.00-1.20, long 1.20. Rhubarb—Per pound, outdoor 0.07-0.10. Leeks—Per 10-lb 1.20-1.60.

INDICES

FINANCIAL TIMES

May 28	May 27	Month ago	Year ago
237.39	238.56	246.84	255.14

(Base: July 1 1952=100)

MOODY'S

May 27	May 28	Month ago	Year ago
995.2	999.5	1008.8	109.35

(December 31 1931=100)

DOW JONES

Dow Jones	May 28	May 27	Month ago	Year ago
Spot	123.32	124.37	125.72	400.12
Futr's	126.66	127.69	130.38	401.85

(Base: December 31 1974=100)

REUTERS

June 1	May 28	M'nth ago	Year ago
1530.1	1551.3	—	1732.7

(Base: September 18 1931=100)

PRICE CHANGES

In tonnes unless otherwise stated.

	June 1 1982	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt.	$935/955	-10	$995/1015
Copper			
Cash h grade	£770.5	-32.25	£868.75
3 mths	£797.75	-31	£898.75
Cash Cathode	£762.5	-34.5	£863.25
3 mths	£789.5	-31.5	£893.25
Gold troy oz	$318.125	-5.875	$342.5
Lead Cash	£307.75	-6	£318.25
3 mths	£319.25	-6.75	£332.25
Nickel	£3922	-52	£3926
Free mkt	240/270c	......	235/265c
Platin'mtr oz'y	£260	......	£260
Freemkt	£159.05	-3.45	£176.15
Quicksilver†	$360/370	......	$370/380
Silver troy oz	341.90p	-12.8	381.95p
3 mths	353.20p	-13.0	394.50p
Tin Cash	£6675	-177.5	£7167.5
3 mths	£6795	-195	£7340
Tungsten22.0lb	$109.01	......	$106.98
Wolfrm 22.40lbs	$109/113	......	$104/108
Zinc Cash	£405.5	-7.75	£421.375
3 mths	£411.5	-8.75	£426.75
Producers	$860/900	......	$860/909
Oils			
Coconut (Phil)	$497.5u	......	$510
Groundnut	$615u	......	‡
Linseed Crude	‡	......	‡
Palm Malayan	$512.5	+2.5	$497.5
Seeds			
Copra Ph lip	$330w	......	$335
Soyabean (U.S.)	$263	-3	$274
Grains			
BarleyFut. Sep	£104.90	+0.05	£104.25
Maize	£137.00	-0.75	£136.25
Wheat Fut.Sep	£109.05	-0.05	£124.40
No.2HardWint	‡	......	‡
Other commodities			
Cocoa ship't*	£941	......	£1,001
Future Sept	£915.5	-28	£980.5
Coffee Ft' Sept	£1124.5	-31.5	£1156.5
Cotton A.Index	76.55c	......	73.25c
Gas Oil July	$292.5	-2.75	$292.25
Rubber (kilo)	54.5p	+0.5	56p
Sugar (Raw)	£104u	-7	£120
Woolt'ps 64s kl.	397p kilo	......	402pkilo

‡ Unquoted. v June. u June-July. w May-June. y July. † Per 76lb flask. * Ghana cocoa. n Nominal. § Seller.

GOLD MARKETS

Gold fell $5¾ to $317¾-318½ in the London bullion market yesterday. It opened at $319¾-320½, and was fixed at $319 in the morning, and $318.75 in the afternoon. The metal touched a peak of $320¾-321, and a low of $317-317½.

In Paris the 12½ kilo gold bar was fixed at FFr 63,750 per kilo ($320.97 per ounce) in the afternoon, compared with FFr 63,750 ($323.46) in the morning, and FFr 64,000 ($325.76) Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 24,325 per kilo ($321.01 per ounce), against DM 24,670 ($326.97) previously, and closed at $318¼-319¼, compared with $325-326.

In Zurich gold finished at $317-320, against $324-327.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	£ per troy ounce		
August	181.25-1.45	-4.925	182.55-1.20
Sept'mb'r	183.05-3.20	-4.975	—
October	184.88-5.80	-4.725	—
November	186.75-8.86	-4.850	—
December	188.50-8.80	-4.700	188.80

Turnover: 744 (1102) lots of 100 troy ozs.

	June 1		May 28	
Gold Bullion (fine ounce)				
Close	$317¾-318½	(£178-178½)	$323½-324½	(£180½-181)
Opening	$319¾-320½	(£178-178½)	$324¼-325	(£180½-181)
Morning fixing	$319	(£178.093)	$325.50	(£181.742)
Afternoon fixing	$318.75	(£178.252)	$325.25	(£181.602)
Gold Coins				
Krugerrand	$327½-328¼	(£183¼-183¾)	$333-333¾	(£186-186½)
1/2 Krugerrand	$168½-169½	(£94¼-94¾)	$171¼-172¼	(£95½-96¼)
1/4 Krugerrand	$85¾-86¾	(£48-48½)	$87¼-88¼	(£48¾-49¼)
1/10 Krugerrand	$35-36	(£19½-20¼)	$35½-36½	(£19¾-20¼)
Mapleleaf	$327½-328½	(£183¼-183¾)	$333-334	(£186-186½)
New Sovereigns	$75¾-77¼	(£43-43¼)	$78-78½	(£43½-43¾)
King Sovereigns	$90½-92	(£50½-51)	$91½-93	(£51-51½)
Victoria Sovs	$90½-92	(£50½-51)	$91½-93	(£51-51½)
French 20s	$59½-69½	(£33¼-38¾)	$63-73	(£35¼-40¾)
50 pesos Mexico	$390-392½	(£218¼-219½)	$397-399½	(£221¾-223)
100 Cor. Austria	$311¼-313¼	(£174¼-175½)	$316½-319	(£176¾-178)
$20 Eagles	$416-421	(£232¾-235¼)	$420-425	(£234½-237¼)

AMERICAN MARKETS

NEW YORK, June 1.

POOR ECONOMIC prospects encouraged selling in precious metals and copper resulting in new contract lows. Bearish technical indications plus massive long liquidation left cotton sharply lower. Heavy producer selling depressed sugar to new contract lows. Lack of cold temperature development in Brazil attracted profit-taking in coffee. Massive commission house selling in cocoa contributed to a major sell-off. Heating oil was sharply lower on expectations of higher production quotas, reported Heinold.

*Gold—June 317.0-318.0 (322.2), July 320.2 (325.6), Aug 323.5-324.0, Oct 330.2-331.5, Dec 337.0-338.0, Feb 345.4, April 352.8, June 360.3, Aug 367.9, Oct 375.6, Dec 383.4, Feb 391.3, April 399.2.

Potatoes (round whites)—Nov 78.3-78.4 (77.1), Feb 87.3 (84.0), March 89.8-89.9, April 101.3-101.5. Sales: 151.

¶Silver—June 602.0 (623.0), July 607.0-609.0 (629.5), Aug 615.5, Sept 621.5-623.0, Dec 643.5-645.5, Jan 652.6, March 664.0, May 682.6, July 697.6, Sept 712.6, Dec 735.0, Jan 742.5, March 757.5. Handy and Harman bullion spot: 603.00 (625.50).

Tin—555.00-558.00 (563.00-567.00).

CHICAGO, June 1.

Lard—Chicago loose 23.50 (same).

Live Cattle—June 72.70-72.85 (73.37), Aug 66.57 (68.07), Oct 63.05-63.00, Dec 62.75-62.60, Feb 62.02-62.05, April 61.85, June 62.60.

Live Hogs—June 61.70-61.35 (62.12), July 61.15-61.15 (62.65), Aug 60.80-60.80, Oct 57.45-57.50, Dec 57.70-57.65, Feb 55.50-56.40, April 50.30-50.50, June 53.25, July 53.25.

‡‡Maize—July 270¾-270½ (275), Sept 272-272¼ (276¼), Dec 277½-277¾, March 291¾-291, May 300½, July 307½.

Pork Bellies—July 83.27 (85.27), Aug 81.47 (83.47), Feb 76.75, March 77.00, May 77.00, July 77.25, Aug 75.00.

†Soyabeans—July 623-621½ (635¼), Aug 626½-627½ (639½), Sept 628½, Nov 634-633½, Jan 648-649, March 664½, May 677, July 687½.

¶Soyabean Meal—July 181.2-181.5 (184.1), Aug 182.3-182.5 (185.3), Sept 184.0, Oct 185.0, Dec 188.5-189.0, Jan 191.0-190.5, March 193.0-193.5, May 198.5-199.0, July 201.0-203.0.

Soyabean Oil—July 18.83-18.81 (19.51), Aug 19.14-19.11 (19.82), Sept 19.40-19.35, Oct 19.58-19.55, Dec 19.87-19.90, Jan 20.17, March 20.68, May 20.95-21.00, July 21.30-21.40.

†Wheat—July 347½-348 (351½), Sept 361¾-361½ (365½), Dec 381¾-382, March 396¾, May 401¾, July 399.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 140 tonnes. Buyers were still apprehensive about placing orders, but a useful demand was experienced, with various American-type styles taking precedence. African and Middle Eastern qualities attracted most attention.

POTATOES

LONDON POTATO FUTURES—Hot dry weather over the weekend moved all prices higher, reports Coley and Harper. Closing prices: Nov 66.00, +1.50 (high 66.40, low 65.00); Feb 75.00, +1.60 (high 75.50, low 74.80); April 86.30, +2.20 (high 85.30, low 84.50); May 96.60, +2.40 (high 97.50, low 95.00): Turnover: 238 (90) lots of 40 tonnes.

GRIMSBY FISH—Supply good, demand fair. Prices at ship's side (unprocessed) per stone: shelf cod £3.50-£4.40, codlings £2.60-£4.00; large haddock £3.40-£4.60, medium £3.60-£4.00, small £2.20-£2.80; large plaice £7.80, medium £4.50-£6.00, best small £3.60-£4.20; skinned dogfish (large) £2.50, (medium) £3.00-£5.00; lemon soles (large) £8.50, (medium) £7.00; rockfish £1.20-£2.20; saithe £2.00-£2.70.

EUROPEAN MARKETS

ROTTERDAM, June 1.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent July 187, Aug 189. U.S. No Three Amber Durum June 181, July 181, Aug 182. U.S. No Two Northern Spring 14 per cent June 179, July 177, Aug 177, Sept 178. Canadian Western Red Spring July/Sept 202.

Maize—(U.S. $ per tonne): U.S. No Three Yellow afloat 132, May 132, June 130, July 130.25, Aug 129, Sept 128.75, Oct/Dec 128, Jan/Mar 136 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports discharging 259.75, June 257, July 258, Aug 259.50, Sept 260, Oct 265, Nov 265, Dec 260.50, Jan 265.25, Feb 269, Mar 273, April 275.50 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 230, May 227, June 228, July 227, Aug 228, Sept 229, Oct 230, June/Sept 226.50, Nov/Mar 238.50 sellers. Pellets Brazil loading 236/238, May 238, June 238, July 238.50, June/Sept 239.50, Oct/Dec 252, Nov/Mar 254.50 sellers.

PARIS, June 1.

Sugar—(FFr per tonne): July 1395/1425, Aug 1405/1406, Oct and Nov 1370/1380, Dec 1360/1390, Mar 1480/1485, May 1525/1540, July 1560/1565. Sales at call: 17.

Indian wheat crop losses

By Terry Povey

UNSEASONAL rains during the harvest may cut Indian wheat output by as much as 5.5m tonnes according to the Birla Institute for Scientific Research. Additional grain has been rendered unfit for human consumption while in storage and during transport by the same poor weather.

CUBA'S ECONOMY

A further tightening of the screw

By William Chislett, recently in Cuba

CUBANS, WHO in the 23 years since Fidel Castro came to power have had to put up with a frugal existence, are having to tighten their belts yet another notch. The rock bottom world price for sugar, which accounts for over 80 per cent of Cuba's exports, the high cost of servicing the estimated $3bn debt with the West and greater attempts by the U.S. to enforce its 20 years old trade embargo on the island 90 miles from Florida are all squeezing the economy.

Washington banned business and pleasure travel to Cuba by American citizens from May 15. The restrictions, almost identical to those in effect from 1963 until 1977 when President Carter liberalised travel, will hurt Cuba's tourist industry, a major foreign exchange earner.

But while Cubans can look forward to no appreciable improvement in their standard of living, it must be emphasised that their standard is already luxurious compared to the miserable lives of millions of peasants and urban slum dwellers in the rest of the Latin America.

Cuban coffee is weaker than it used to be and it is still rationed to four ounces a month per adult along with other basic foodstuffs at subsidised prices. But there are no children with stomachs swollen from malnutrition in Cuba, everybody can read and write and health services are free. Even so 125,000 Cubans fled to Florida in 1980 with only the clothes on their back in a mass exodus which enabled President Castro to unload some of his problems. But it deprived the economy of some skilled labour.

The economy is officially forecast to grow by 2.4 per cent in real terms this year after 12 per cent in 1981. However last year's growth was artificially high since a large part of the increased production reflected the recovery in the agricultural sector which was hard hit by disease in 1980. Blue mould brought tobacco production down to a very low level and disease ravaged the sugar cane.

The tougher situation is making the Government pursue an increasingly pragmatic line to its economic problems. Since 1980 several measures have been introduced to make parts of the centrally planned economy more market-oriented and productive.

Productivity is now being boosted through financial incentives, companies can hire and fire more easily and until recently farmers were allowed to sell surplus produce on a free market. These markets, however, have been suspended because products were being sold at exorbitant prices. Farmers made small fortunes and used to live it up in Havana's hotels at weekends. The markets are currently being reviewed by the Government and will probably return with a system of taxes on farmers.

This "capitalistic" approach culminated in February with the release of a foreign investment law. "In order to compete in the capitalist world, we have to become a little more capitalist," said a senior tourism official, involved in trying to turn Cayo Largo, a large cay off the Cuban coast, into a major international resort. The first hotel, started in 1957, opened on the cay this year and there are hopes to build 10,000 rooms.

Cuba is promoting its foreign investment law as vigorously as a capitalist country. Great emphasis is being placed on Cuba's strike free record (strikers are imprisoned); cheap labour (the average monthly wage is 168 pesos—$215); unhindered repatriation of profits and low taxes.

For foreign investment is barred from the most profitable sectors of the economy such as tobacco, sea food and citrus

FIDEL CASTRO
Cubans tighten their belts

fruit. Cigar exports could be a record 100m units this year and citrus exports are projected at 500,000 tonnes compared with 300,000 last year. Nickel exports will be boosted by 32,000 tonnes to 78,000 when a third plant comes on stream in 1985.

More Cuban engineers, doctors and builders are also being exported to friendly countries like Angola, Mozambique, Ethiopia and Libya. The richer developing countries, such as Angola, are paying Cuba well for this skilled labour which helps to offset the heavy cost of Cuba's military presence in that country.

However, the economic liberalisation is not being accompanied by greater political freedom. The defence committees in each neighbourhood, which are the eyes and ears of the revolution, are keeping a closer watch on people.

The system of local, provincial and national assemblies of "popular power," introduced in 1976, gives no effective power to the people. The National Assembly merely ratifies executive decrees. But the system does serve as a useful way to detect popular grievances.

Were it not for the Soviet Union's estimated $3bn subsidy a year to Cuba — about one quarter of gross national product — the island's economy would have long ago collapsed. Moscow buys Cuban sugar and nickel at well over the world price and supplies Havana with oil at less than the market rate. It also grants credits and soft loans.

But Poland's virtual bankruptcy and Romania's debt repayment problems to the West are stretching the resources of the Soviet Union to continue to bail out its satellite states. Cuba has an estimated debt with the Soviet Union of $9bn and the first payments fall due in 1986.

Today's world sugar price of 8-9 cents a pound compared to 16 cents in 1981 and 28 in 1980 does not even cover Cuba's production costs. Sr Alberto Betancourt a senior trade official, said the Soviet Union was paying about four times that price this year for Cuba's sugar.

Every drop of one cent in the price of a pound of sugar on the international market is a loss of $70m for Cuba. Cuba's annual sugar quota on the world market is 2.4m tonnes out of total exports in the order of 6-7m tonnes.

Sr Betancourt said that Moscow had guaranteed Cuba all its oil supplies for the current five-year plan, 1981-86. But it is understood that the annual increase in oil supplies of 2-3 per cent during this period is significantly lower than the yearly rate in the 1970s. Cuba takes 11-13 per cent of the Soviet Union's oil supplies to Comecon countries.

Cuba's greater austerity measures include a stronger energy conservation drive: financial penalties will be imposed on companies which consume too much fuel and no new public lighting systems are being built. Mexico, a close ally of Cuba and the world's fourth largest oil producer, is helping the island look for oil. Mexico could supply Cuba with oil in a triangular deal whereby the Soviet Union would send Havana-bound oil to Spain, but Mexico wants to be paid in hard currency, not sugar.

A little publicised survey carried out by the Government in 1980 pinpointed some of Cuba's main problems. Ninety per cent of products inspected did not meet quality standards; 41 per cent of management in the key sugar sector had received no training and 43 per cent of all data requested by enterprises from the Government was unnecessary. The Government issued 334 volumes on prices and 10,428 labour measures during its very ambitious and costly first five-year plan which created an intolerable burden of administration.

A conscious effort is now being made in the second five-year plan to stick to realistic goals, and cut back spending after the errors committed in the first quinquennium. Many targets were unfulfilled because of a grossly over-optimistic assessment of the world sugar market. Cuba based the first plan on a high sugar price which then plummeted. It locked itself into expansion programmes and had to make up the revenue shortfall by greatly increasing its debt to the West.

Under the current plan there will be no new investments. Existing industry will only be upgraded.

The 1982 budget carries a planned deficit of 420.7m pesos ($525.8m). The 1981 target of a budget surplus of 3.9m pesos turned out to be a deficit of 785m pesos ($981.2m), because Cuba still over-estimated the sugar price. It is understood that the present five-year plan is based on an average sugar price of 15 cents—seven cents higher than today's price.

As a result of the tighter than expected situation this year, some goals for the quinquennium have already been sacrificed. The plan to build two 350 Mw electricity plants with the French company Alsthom, the largest project with the West, has been reduced to one 320 Mw plant.

The foreign exchange crisis has also caused the Government to cut right back this year on imports of herbicides for the sugar crop and to use more manual labour. Some 250,000 workers, double the number last year, will be needed to weed the harvest of about 7.6m tonnes.

Imports from the West this year will be about 20 per cent of total purchases, the absolute minimum without damaging the economy. President Castro has publicly proclaimed that the highest priority will be attached to servicing the debt with the West. He knows that a default will cause this supply of funds to dry up.

The Reagan Administration piously hopes that Cuba's economic problems will eventually force Fidel Castro into bending to Washington's will. It would certainly be to Cuba's great advantage to have the U.S. lift its trade embargo.

There have been secret contacts in the last six months between Havana and Washington. But the price which the U.S. Government is asking for a normalisation of relations—that Havana breaks with Moscow and stops exporting revolution —is far too high and Washington knows it.

BASE LENDING RATES

A.B.N. Bank	13 %	Robert Fraser	14 %
Allied Irish Bank	13 %	Grindlays Bank	‡13 %
American Express Bk.	13 %	■ Guinness Mahon	13 %
Amro Bank	13 %	■ Hambros Bank	13 %
Henry Ansbacher	13 %	Heritage & Gen. Trust	13 %
Arbuthnot Latham	13 %	■ Hill Samuel	§13 %
Associates Cap. Corp.	13 %	C. Hoare & Co.	†13 %
Banco de Bilbao	13 %	Hongkong & Shanghai	13 %
BCCI	13 %	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	13 %	Knowsley & Co. Ltd.	13½ %
Bank of Ireland	13 %	Lloyds Bank	13 %
Bank Leumi (UK) plc	13 %	Mallinhall Limited	13 %
Bank of Cyprus	13 %	Edward Manson & Co.	14 %
Bank Street Sec. Ltd.	14 %	Midland Bank	13 %
Bank of N.S.W.	13 %	■ Samuel Montagu	13 %
Banque Belge Ltd.	13 %	■ Morgan Grenfell	13 %
Banque du Rhone et de la Tamise S.A.	13½ %	National Westminster	13 %
Barclays Bank	13 %	Norwich General Trust	13 %
Beneficial Trust Ltd.	14 %	P. S. Refson & Co.	13 %
Bremar Holdings Ltd.	14 %	Roxburghe Guarantee	13½ %
Brit. Bank of Mid. East	13 %	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	13 %
Canada Perm't Trust	13½ %	Standard Chartered	‖13 %
Castle Court Trust Ltd.	13½ %	Trade Dev. Bank	13 %
Cavendish G'ty T'st Ltd.	14 %	Trustee Savings Bank	13 %
Cayzer Ltd.	13 %	TSB Ltd.	13 %
Cedar Holdings	13 %	United Bank of Kuwait	13 %
■ Charterhouse Japhet	13 %	Whiteaway Laidlaw	13½ %
Choulartons	13 %	Williams & Glyn's	13 %
Citibank Savings	¶12¾ %	Wintrust Secs. Ltd.	13 %
Clydesdale Bank	13 %	Yorkshire Bank	13 %
C. E. Coates	14 %		
Comm Bk of Near East	13 %		
Consolidated Credits	13 %		
Co-operative Bank	*13 %		
Corinthian Secs.	13 %		
The Cyprus Popular Bk.	13 %		
Duncan Lawrie	13 %		
Eagil Trust	13 %		
E.T. Trust	13 %		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	15½ %		
First Nat. Secs. Ltd.	15½ %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11½%.
‡ Call deposits £1,000 and over 10%.
‖ 21-day deposits over £1,000 11¼%.
§ Demand deposits 10¼%.
¶ Mortgage base rate.

Senior posts at TI Group

Mr S. F. Thomson has been appointed managing director of the domestic appliance division of the TI GROUP in succession to Mr M. L. G. Boughton. Mr M. L. G. Boughton, who has been appointed deputy managing director of the TI Group, continues as chairman of the domestic appliance division. Mr N. J. Winnett has been appointed deputy divisional managing director in addition to his existing responsibilities.

*

Mr Allen Rumsey has retired as a director and investment manager of ANGLO-AMERICAN SECURITIES CORPORATION and NORTH ATLANTIC SECURITIES CORPORATION.

*

CAMBRIDGE ELECTRONIC INDUSTRIES has appointed Mr D. H. J. Lester company secretary from June 1. He succeeds Mr F. A. Royle, who is retiring.

*

Mr S. H. Wright, chairman International Commercial Bank, has been appointed non-executive chairman of WOLSTENHOLME RINK, succeeding Mr Alan Green who will remain a director.

*

ALEXANDERS HOLDINGS has appointed Mr David Mitchelmore to its board. Mr Mitchelmore, formerly with the Ford Motor Company, joins Mr Henry Clayton as joint managing director.

*

Mr Graham Dunsdon has been appointed managing director of FIMS, a member of the Edward Lumley Group.

*

Mr A. B. Chapman has resigned as chairman of Sonoco UK's subsidiary, CAPSEALS, and Mr W. D. Grove has been appointed in his place.

*

Mr L. A. Andrews, a senior principal in the PAYMASTER GENERAL'S OFFICE, has been appointed assistant paymaster general in succession to Mr E. F. Webster, who is retiring. Mr Andrews will take up his new duties, which are at assistant secretary level, on June 28.

*

Mr John K. Laurence has been appointed non-executive chairman of DENCORA, the parent company of the Dencora Group. Mr Anthony F. Twist and Mr Trevor A. Catchpole have also joined the board.

*

Mr David Davidson, a partner in Arthur Andersen & Co., has succeeded Mr Dick Esam as chairman of the INTERNATIONAL FISCAL ASSOCIATION'S British branch. Mr Davidson has also been appointed to the executive committee of the parent organisation.

*

Mr Roy J. C. Line has been appointed managing director of TURTLE WAX MANUFACTURING, with responsibilities for worldwide sales with the exclusion of North America, Australia and the Far East. Mr Line was managing director of Simoniz.

*

GOULD MEASUREMENT SYSTEMS has appointed Mr Les Sainsbury as regional sales manager for Northern Europe.

*

Mr D. H. Gardner, contracts controller of the MEL division of Philips Electronic and Associated Industries, will succeed Mr M. S. Ollivant as director of the ELECTRONIC ENGINEERING ASSOCIATION when the latter retires on October 1. Mr Gardner has been chairman of EEA's contracts advisory committee since 1976 and chairman of CBI's contracts panel since 1978. He will join EEA full time on September 1.

*

Mr Gerald Harris has been appointed assistant commercial director of YORKSHIRE TELEVISION. He joined YTV in 1978 as management accountant after three years as a corporate planner with the West Yorkshire County Council.

*

Mr Terry Forde has been appointed North European regional manager by MODCOMP. Mr Forde now assumes the responsibilities of general managership for an area which includes the UK, Scandinavia and the Netherlands.

*

STAGE ONE COMPUTERS has appointed Mr John Bentley its marketing manager.

*

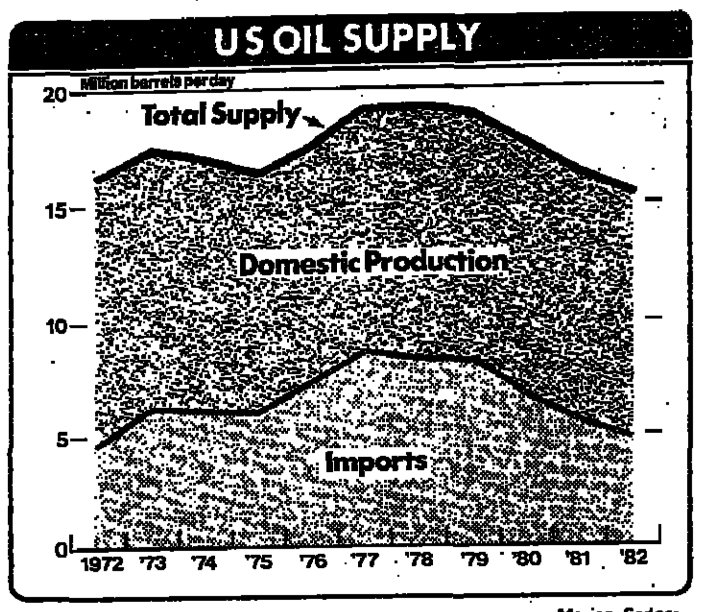
Mr Rob Nickalls, managing director of Rush and Tompkins Northern and Scotland, has also been appointed chairman of YORKSHIRE HOMES, part of the Rush and Tomkins Group.

*

WILSON CONNOLLY HOLDINGS has appointed Mr L. A. Wilson to succeed Mr J. A. Leavey as chairman. Mr M. E. D. Robinson becomes sole managing director and Mr P. Sanders joins the board. Mr Leavey remains a non-executive director.

Oil imports into U.S. fall back to 1971 levels

By Paul Betts in New York



Marion Sedger

REMEMBER the days when former President Jimmy Carter was going round the country or sitting in a sweater for informal fire-side chats with the American people promising "I will not permit our country to fall further and further each passing year into a dark and dangerous dependence on unstable foreign oil?" And remember the days of long queues at American petrol pumps with normally restrained middle class citizens taking a leaf out of Darwin's "Evolution of the Species?" In one case a man was actually shot dead while waiting to fill up his tank.

Barely three years later, those heady days appear a distant chapter in American history. U.S. oil imports are now back where they were more than 10 years ago before the first and subsequent oil shocks. If anything, the U.S. has become once again positively complacent about oil imports. The latest statistics of the American Petroleum Institute (API), the U.S. oil industry's main trade body, paint an eloquent picture of the dramatic changes that have taken place in the U.S. oil markets.

Overall crude oil and products imports declined 1.417m barrels per day last April compared to the same month the year before. With imports totalling 5m b/d in April they were back at about the same level as imports in 1971. By far the sharpest decline continues to involve imports of crude oil which dropped by 34 per cent last April compared to the same month the year before and by nearly 33 per cent in the first four months of the year compared to the same period last year. Oil product imports have declined at a more moderate rate of 2.8 per cent in April and 5.5 per cent for the first four months of this year.

The supply equation has also radically changed. Oil imports five years ago accounted for as much as 52 per cent of the country's oil demand. Last year they accounted for only 36 per cent of overall demand. Moreover, U.S. oil imports have increasingly shifted away from Opec to non-Opec sources reflecting in large measure the lower prices of non-Opec oil. Chase Manhattan recently calculated that the non-Opec share of U.S. oil imports has grown from 27 per cent in 1980 to 32 per cent last year.

Alongside the decline in imports, domestic crude oil production has been rising. Last April it rose 1.7 per cent from April of last year to 8.7m b/d. And although two-thirds of this increase was the result of the coming on stream of the new Kuparuk Field in the Alaskan North Slope, the substantial decline in production in the lower 48 states during the 1970s has finally been halted.

Lower demand as a result of a combination of conservation and the recession has largely been responsible for the vast and rapid change in the U.S. oil market. But there are now beginning to be some signs that the steady decline in crude and product prices is coming to a halt. U.S. oil demand rose in April for the first time since early 1979. Indeed, total petroleum products supplied in April were 1.3 per cent higher at 15.5m b/d than in April 1981.

Prices at the petrol pumps have also been rising again after 13 straight consecutive months of decline. And some oil companies are now forecasting further price increases later this year stimulated by the long awaited recovery in the U.S. economy now expected to occur in the second half of the year.

But several oil companies and industry analysts are warning not to read too much in the recent upswing in prices and demand for certain oil products. Shell Oil, for example, suggests that the current situation in domestic prices and inventories is normal in a changing market. Up until mid-April, crude oil and product prices in the spot market had been declining because of the large overhang of supply. As for domestic U.S. crude prices, they declined by about $3 to just over $32 a barrel in the first quarter of this year compared to the same period last year and they are now averaging about $31 a barrel.

But Opec's March 20 decision to hold crude prices at $34 a barrel had a real and psychological effect on the spot market in the U.S. In turn, with the unusually bad winter in the U.S. and the start of the summer driving season, petrol and distillate wholesalers began rebuilding inventories in anticipation of a pick-up in demand. But, according to Shell, the recent price increases in both petrol and home heating oil reflect a market adjustment of inventories. But the company adds: "We do not see any increase in demand at the consumer level at this time."

Although refineries are operating at slightly higher capacity than a month ago, they are still running below last year's levels. According to API, they are operating at around 64.8 per cent capacity at the middle of last month compared with 67.4 per cent in the same period last year. Oil companies are also continuing to trim excess capacity, although the degree of refinery closures has abated.

In spite of the recent increase in some oil product prices and demand, demand for oil products and crude as a whole is still expected to fall this year for the third consecutive year in the U.S. Demand, however, is expected to decline far less sharply than in 1981. Indeed, there is likely to be a modest increase in demand from 15.8m b/d in the first quarter of this year to about 15.9m b/d in the fourth quarter.

But few believe demand will be stimulated by the expected recovery in the second half of the year. By all accounts, the recovery is likely to be anaemic and short-lived, especially if real interest rates do not moderate. As Mr Theodore Burtis, chairman of Sun, put it to New York financial analysts last week: "The days when we have had two economies—one for the oil industry and one for everybody else—are probably over. We have seen our business impacted by economic conditions just like everybody else."

But although a recovery is bound to have an effect on the oil market, it is unlikely to have a pronounced impact. API recently asked the interesting question whether reduced oil demand was the result of the recession or of higher prices. The institute's analysis concluded that conservation and fuel switching due to higher prices in recent years have far overshadowed economic influences. It points out that over the past three years the economy in real GNP terms has shown little net change while oil demand has fallen more than 20 per cent.

In any event, the continuing pressures on the oil market from lower or flat demand is likely to have its biggest impact on imports. U.S. oil companies have all been scaling back their capital spending programmes largely at the expense of alternate energy projects and foreign exploration. On the other hand, they have not trimmed domestic exploration and production programmes. Indeed, although after a record year in 1981 domestic drilling activity has been slowing down, it is now picking up again. According to the Hughes Tool count, a record-setting 4,530 rigs were at work in the last week of December. The average for the year at any given time was 3,970 rigs. The drilling count subsequently declined to 3,786 in March but had started to rise again in April.

Deregulation of domestic oil prices, started by former President Carter and completed by President Reagan, has largely been responsible for the improvement in domestic production and for stimulating new exploration. With the decline of demand, domestically produced oil continues to be more competitive with Opec imports at their current market price of $34 a barrel. None the less, bargain priced oil like Iran's could help moderate the decline in imports. Only recently, the U.S. Government resumed purchases of Iranian crude, buying for the first time since the hostage crisis 1.8m barrels of Iranian oil at a bargain price of $29.51 a barrel.

The trend of declining imports and flat domestic consumption has now undermined the Reagan Administration's argument for the introduction of a possible U.S. oil import levy further to encourage domestic production. The tax would have been a convenient way of raising federal dollars and easing the Administration's current budget problems. But for the time being at least, the proposed oil import tax appears to have been shelved.

U.S. OIL PRODUCT SUPPLIES

	April estimates			Current estimates		
(In million b/d)	1982	1981	% Change	1982	1981	% Change
Total domestic products supplied	15.5	15.3	1.3	15.6	16.6	(6.1)
Motor gasoline supplied	6.7	6.6	1.0	6.2	6.4	(2.8)
Distillate fuel oil supplied	2.9	2.5	12.4	3.1	3.2	(5.1)
Residual fuel oil supplied	1.7	1.8	(5.7)	2.0	2.3	(14.5)

U.S. CRUDE OIL SUPPLIES

	April estimates			Current estimates		
(In million b/d)	1982	1981	% Change	1982	1981	% Change
Total supply	14.9	16.0	(7.1)	15.3	16.9	(9.4)
Crude production	8.7	8.5	1.7	8.7	8.6	1.3
Crude oil imports	2.7	4.1	(34.0)	3.1	4.6	(32.7)
Product imports	1.3	1.3	(2.8)	1.6	1.6	(5.5)

Source: American Petroleum Institute

Cooper Basin oil takeover by National Mutual Life

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S second largest life office, the National Mutual Life Association, has bought control of Reef Oil and Basin Oil, two of the smaller partners in the Cooper Basin, Australia's biggest land-based oil and gas project.

At the close of a turbulent day's trading in Sydney and Melbourne, Bond Corporation Holdings (BCH), controlled by Mr Alan Bond, the Perth entrepreneur, had sold its shares in Reef and Basin for an estimated A$43m (U.S.$45m).

The sale of its Reef and Basin shares is not thought to be the sale of a "major asset" announced by BCH 10 days ago. The company is expected to make a further announcement in Sydney this morning, when it may well reveal the disposal of its 15 per cent stake in Santos, another Cooper Basin partner, for as much as A$120m.

National Mutual is among the potential buyers.

Yesterday's move by National Mutual, involving a bid for the total share capital of both Basin and Reef, set a value of A$106m on the two companies.

The life office startled the market by announcing it was prepared to pay A$2 a share for Basin and A$1.50 a share for Reef. It started the day with 16.3 per cent of Basin and 3.4 per cent of Reef, and finished with an estimated 51 per cent of Reef and an effective 58 per cent of Basin.

But National Mutual's move, thought to represent the most aggressive equity foray yet by a major Australian institutional investor, drew an immediate reply from BT Australia, the merchant bank, and from Burns Philp Trustees, which between them ended the day with sizeable minority stakes in both Reef and Basin.

Thought to be acting on behalf of pension funds managed by them, the two companies captured a combined 19.8 per cent of Reef and 18.3 per cent of Basin.

National Mutual's bids for Reef and Basin were significantly lower than the independent valuations of A$1.94 and A$2.47 a share respectively suggested by Martin Corporation, a Sydney merchant bank, 10 days ago.

Both National Mutual and BT Australia have researched the Cooper Basin partners extensively in recent months. Both felt Reef and Basin were under-valued.

The cost of development of the Cooper Basin is estimated at A$1.4bn, of which Reef and Basin's shares, between 1982 and 1986, have been put at A$41.5m each.

Credit Lyonnais $300m FRN

BY ALAN FRIEDMAN

CREDIT LYONNAIS is back in the Eurodollar bond market with a $300m 12-year floating rate note (FRN) issue. The deal provides an interest spread of ¼ point over six-month London interbank offered rate (Libor) and a 5¼ per cent minimum coupon.

The borrower, which is lead-managing the offer along with Credit Suisse First Boston, Merrill Lynch and Commerzbank, is tapping this market for the second time this year. Credit Lyonnais issued a $250m FRN in March through CSFB.

CSFB brought another French borrower to market yesterday—Credit du Nord. The $50m floater being launched for the bank matures over 10 years and carries a margin of ¼ per cent above the mean of the bid and Libor. There is a redemption option for investors in the seventh year at par.

In the fixed-interest dollar bond sector, Goldman Sachs launched a $60m issue for American Natural Resources, the Michigan-based gas pipeline group. The single A-rated paper provides a 15¾ per cent coupon and is likely to be priced at a discount. The borrower may call the bonds back in 1987 at 100½.

The trading side of the picture was gloomy yesterday. Investor demand was lacking and dealers marked prices down by ¼ to ⅜ point on average. Part of the malaise can be traced to the lacklustre New York bond market.

From Japan comes news of an imminent $50m convertible bond for Canon, the optical company. The 15-year paper will carry a 6¼ to 6½ per cent indicated coupon through Yamaichi Securities, but is unlikely to be an immediate sell-out given the state of the yen and the Tokyo equity market.

Today will see the launch of a C$30m 8-year bond for Gas Metropolitan of Montreal; Wood Gundy is leading this 17 per cent bond issue along with Societe Generale.

In the Euro D-Mark bond sector Dresdner Bank is leading a DM 100m 10-year issue for Philips Lamp. The coupon is 8½ per cent and there is a 1988 call option at 102. Although the market is not performing very well, the first reactions to this new paper were positive.

In the Swiss franc bond sector, prices were unchanged in moderate trading. The six-month Swiss franc rate touched 5 per cent, a slight decline on last week.

The European Investment Bank yesterday saw its Y15bn 10-year issue through Nikko and CSFB have its coupon hoisted from 8¼ indicated to 8½ per cent. The bonds were also priced at a discount.

Unusual terms for Spanish borrowing

By Peter Montagnon, Euromarkets Correspondent

TERMS for the $225m loan package being arranged by Chase Manhattan for Spain's Instituto de Credito Oficial (ICO) reveal several innovations in this borrower's approach to the Euromarket.

For the first time, the borrower is tapping the yen market as well as the market for syndicated loans with a margin exclusively over the U.S. prime rate. The package also involves ICO's first public security issue in the Eurobond market.

The package is divided into four parts comprising:

- A $75m seven-year credit with a margin of 0.15 per cent over U.S. prime for the first five years and 0.25 per cent thereafter. This is to be sold exclusively to U.S. banks.
- A $50m equivalent 10-year credit in yen under the agency of Dai-Ichi Kangyo. This will be divided into two equal portions, half at a floating rate 0.1 per cent above the Japanese long-term prime rate and half at a fixed rate of interest 0.2 per cent above the prime rate.
- A $50m 10-year floating rate note with a margin of ¼ per cent over six-month London interbank offered rate which is expected to be launched soon, probably around the end of the week.
- A $50m eight-year Euronote facility involving the continuous sale of three and six months Euronotes bearing interest at the relevant Libor.

The overall package has an average life of 7½ years, which is slightly longer than the seven-year average life obtained by the Kingdom of Spain on its recent $450m credit. It is impossible, however, to compare the average cost to the borrower of the two transactions.

Some bankers said yesterday that ICO chose this rather complicated structure to avoid direct comparison with the Kingdom borrowing, which attracted considerable interest from prime-based lenders but less on the portion priced at a ⅜-½ per cent over Eurodollar rates. The one element missing from this package is a conventional Eurodollar syndicated credit.

The inclusion of an FRN also follows the expressed wish of Spanish officials to step up recourse to the international bond markets by Spanish borrowers.

Harvester sells hydraulic cylinders unit

By Our New York Staff

INTERNATIONAL HARVESTER, the hard-pressed transport and arm equipment maker which is striving to generate and preserve cash, yesterday announced a further divestiture: its Victor Fluid Power subsidiary which makes hydraulic cylinders and control valves.

The asking price was not disclosed but Harvester said the subsidiary has annual sales of more than $32m. It includes another unit called Iowa Industrial Hydraulics.

The proposed sale is the latest in a string of divestitures that Harvester is making in order to pare its operations down to "core" business. In a recent interview with Reuter, the company said it also hoped to reduce its inventories by about $100m in the next six months.

Harvester is at present more flexible terms from its bankers on its multi-billion dollar debt because of weaker-than-expected sales.

Victor Fluid was acquired in 1981 and its products are sold to original equipment manufacturers as well as to Harvester. Iowa Industrial was purchased in 1988.

Pabst Brewing considers bid from Heileman

By Our New York Staff

DIRECTORS OF Pabst Brewing were yesterday considering their response to a $197m takeover bid by G. Heileman Brewing, another brewing company based in Wisconsin.

Heileman has offered to buy Pabst for $24 a share. The two companies are respectively the fourth and fifth largest brewers in the U.S.

Pabst, which made its first loss in 1981, is already on the receiving end of an offer from a Philadephia brewer, C. Schmidt and Sons. In fighting teh bid, it said that it would not oppose an offer of $25 a share in cash.

Last year, Heileman dropped plans to acquire yet another brewer, Jos Schlitz, after the Justice Department threatened to block the deal. Schlitz is now in the process of merging with Stroh Brewery.

Mexican stocks take a dive

BY WILLIAM CHISLETT IN MEXICO CITY

THE COLLAPSE of the Mexican stock market over the past three months has taken the most seasoned observers of the financial scene by surprise. The Stock Price Index, made up of 42 stocks, has plummetted by almost 500 points since it peaked at 1,004.2 on March 4, the most spectacular and rapid decline in its history.

Hammered by Mexico's high interest rates, the bear market shows no sign of touching bottom. The market is now at its lowest level for four years. The index closed at 516.2 last Thursday.

The decline has left the Fondo de Mexico, the closed-end investment fund started for foreign investors last summer, very depressed.

One market analyst believes that the index will decline below 400 before the market bottoms out, because peso interest rates will be raised further in order to minimise the outflow of U.S. dollars.

Treasury bills, known as Cetes, are yielding 47.46 per cent. This is stiff competition for the equity market, especially in view of the reduced risk involved. Cetes, which are used to finance the Government's ballooning budget deficit, take up 87 per cent of the stock market's operations compared with 41 per cent when they were first introduced in 1978.

Interest rates, which have rocketed since Mexico effectively devalued the peso by 40 per cent in February and sparked off an inflationary spiral, are the most commonly cited enemy of the market. But there are some stockbrokers who say that the real factor behind the dramatic decline is the lack of confidence and not interest rates.

The Mexican economy, after growing by 8 per cent in real terms for the past four years on the back of huge and very expensive foreign borrowings and high oil revenues, has ground to a standstill. There will be no growth over the next 12 months.

The recession has come at an awkward moment politically. The long ruling Institutional Revolutionary Party will be challenged by the Left for the first time in the July 4 general elections.

"There will be no upturn in the market until confidence returns," said one broker.

The market staged a euphoric but short-lived rally the day after the devaluation when the index shot up 179.7 points to 876.6. The rally was an emotional response to a move which the private sector had been expecting for months. It was relieved when the devaluation came, even though it meant a sharp rise in the cost of dollar debt.

There were 78 advances and only two declines after the devaluation. But the flow of funds was too weak to support a sustained rise. With a very thin market and very little institutional support, market price movements were wild and erratic.

The collapse in the Mexican stock market has come at a sensitive moment for the country and the Government. But the slump in share prices has pushed investment interest into other financial areas

As the full impact of the devaluation became clearer and the Government further bruised confidence by granting a surprising 10-30 per cent extra wage increase, gloom set in.

Corporate profits, forecast before the devaluation to grow on average by 20 per cent a year, after 40 per cent in 1981, are now expected to show little or negative growth.

Prices are now so depressed that all the 105 most actively traded stocks are selling at well below book value. La Moderna, the Mexican affiliate of the British American Tobacco Company, and a quality stock, is now selling at 9 per cent of book value. Its inventory alone is worth more than the company's current market price.

The situation is almost surreal. Aurrera, the Mexican supermarket chain and a blue chip stock with no dollar or peso debt, is selling at 3.8 times its reported earnings for the past 12 months.

But while equities are tumbling, Treasury bills, commercial paper and petrobonds, which are all channelled through the stock market, are doing record business.

Petrobonds, the unique commodity bond whose redemption price is linked to the dollar-denominated price of Mexican oil exports, are the stars of the market. Petrobonds are available to foreign investors.

This is hardly surprising, however, since petrobonds are in effect a hedge against devaluation. Where there is a peso devaluation, the value of each barrel priced in dollars rises by the amount of the depreciation.

Moreover, the Government has succeeded in maintaining confidence in the market for petrobonds, which was depressed last summer when oil prices fell sharply, by raising the amount of oil backing each 1,000 peso ($21) bond by 10 per cent to 1.213 barrels.

In the first quarter of 1982, Stock Exchange turnover in petrobonds was 6.7bn pesos ($145m) compared with 13.8bn pesos for the whole of 1981.

Commercial paper, introduced in 1980, is also proving to be a popular instrument for companies to meet short-term credit needs which have been exacerbated by the Central Bank's tight monetary policy.

Commercial paper turnover in the first quarter was 66.6bn pesos, 11.8 per cent of market operations, compared with 46.8bn pesos for the whole of 1981 when commercial paper only represented 4.3 per cent of operations.

This market was expanded in May when the Government authorised paper issued against the security of dollar deposits by any company. Previously commercial paper was unsecured and could only be issued by majority-owned Mexican companies whose stock was actively traded.

C$2.6bn Dome short debt

BY ROBERT GIBBENS IN MONTREAL

DOME PETROLEUM, Canada's third largest energy company, has confirmed in a filing with the Securities and Exchange Commission in Washington that it will have about C$2.6bn ($2.09bn) in short-term debt due for repayment by the end of this year. The total, incorporated in Dome's 10 K filing on the first quarter of the current year is slightly larger than the investment community expected.

The short-term debt makes up the bulk of the C$3.4bn in current liabilities reported at March 31. Current liabilities then exceeded current assets by C$2.2bn.

Of the total short-term debt, about C$310m is due for repayment at the end of this month.

Total debt of the company—both short and long-term—is now put at about C$5.8 by most industry observers. A fortnight ago, Dome announced that it was putting all its U.S. oil and gas assets up for sale, adding that it hoped to bring in between US$500m and US$750m.

- Mr Marc Lalonde, the Federal Energy Minister, said in Ottawa that he had not given any assurances of government support to Dome Petroleum in the Government's new tax and energy price package.

Canadian bank lifts profits

BY OUR MONTREAL CORRESPONDENT

CANADA'S fourth largest chartered bank, Bank of Nova Scotia, has pushed earnings ahead from C$119.9m to C$130.1m (U.S.$105m) or C$2.80 a share in the first half of this year. The second quarter brought in earnings of C$66.5m or C$1.43 a share compared with C$58.7m in the comparable period.

The bank also disclosed that assets at April 30 totalled C$52.4bn against C$44.8bn a year ago. The directors commented that margins on domestic business had tightened during the first half but international margins had improved.

Bank of Nova Scotia is one of the country's oldest banks, with headquarters in Halifax, Nova Scotia, but a strong operating centre in Toronto. Its growth in assets since the 1973 oil crisis has been among the highest in Canada.

In addition to building up a strong portfolio of foreign assets, the bank has also established itself as a force in the gold market, serving a long-standing free market in gold in Canada, which was operating at the time when U.S. citizens were not allowed to trade in gold.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday June 16. Closing prices on June 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	102⅝	102⅞	+0⅛	+0⅛	14.04
Amex Int. Fin. 16¼ 92	75	103⅞	104⅜	−0¼	−0½	15.38
Amex O/S Fin. 14⅞ 89	75	97½	98	−0⅛	−0½	14.77
APS Fin. Co. 16⅛ 89	75	102¾	103¼	−0⅛	−0⅜	15.43
ATT 14¾ 89	400	102⅞	103⅜	+0⅛	+0½	13.48
Baker Int. Fin. 0.0 92	225	27½	28	0	0	14.08
BHP Finance 14¾ 89	150	98⅝	99⅛	+0⅛	−0⅛	15.01
Bk. Amer. NT SA 12 87	200	93	93½	−0⅛	0	13.98
Bk. Montreal 14½ 87	100	98⅜	99⅛	—	—	14.79
Bque. Indo Suez 15 89	100	98½	99	0	−0⅛	15.29
British Col. Hyd. 14⅜ 89	200	100⅝	101⅛	−0⅛	−0½	14.53
Burroughs Int. 15½ 88	50	103½	104	−0⅝	−0⅛	14.70
Canadair 15½ 87	150	101⅜	101⅞	−0⅛	−0⅛	14.96
Canadian Pac. 14⅜ 92	75	98¾	99¼	−0⅛	−0⅛	14.82
Carolina Power 16½ 89	60	103⅝	104⅛	−0⅛	−0⅞	15.47
CIBC 16 87	100	102⅛	102⅝	−0⅛	−0⅜	15.21
Citicorp O/S 15 84/92	100	100⅛	100⅝	−0⅛	−0⅛	14.80
Citicorp O/S 15½ 85/97	125	101⅞	102⅜	+0⅛	+0⅛	14.53
CNA 15⅞ 97	75	100⅝	101⅛	−0⅛	−0⅛	15.64
Con. Illinois 15⅜ 89	100	102½	103	−0⅛	−0⅛	15.02
Duke Pwr O/S 15½ 89	60	101⅞	102⅜	−0⅛	−0⅞	14.96
Dupont O/S Cap. 0.0 90	300	36¼	36⅝	−0⅛	−0⅛	14.05
ECSC 14⅜ 87	50	99⅜	99⅞	0	−0⅛	14.82
EIB 15½ 89	150	100⅝	101⅛	0	−0⅛	15.18
Eksportfinans 14½ 89	50	98⅛	98⅝	−0⅛	−0⅛	14.87
Gen. Elec. Credit 0.0 92	400	28⅛	28⅝	−1	−1	13.85
Gen. Elec. Credit 0.0 93	400	25	25½	−0⅛	−0⅞	13.71
Getty Oil Int. 14 89	125	98⅜	99⅛	−0½	−0⅝	14.25
GMAC O/S Fin. 16 88	150	102⅜	102⅞	−0½	−0⅛	15.22
GMAC O/S 15⅜ 85/97	100	99½	100	−0⅛	−0⅛	15.30
GMAC O/S Fin. 15 89	125	99	99½	+0⅛	+0⅛	15.17
GMAC O/S Fin. 15 87	100	†98½	99	—	—	15.36
Gulf Canada Ltd 14⅜ 92	100	100⅛	100⅝	−0⅛	−0⅛	14.65
Gulf Oil 14⅜ 94	175	98⅞	99⅜	−0⅛	−0⅛	14.38
Gulf Oil Fin. 0.0 92	300	28	28½	−0⅛	−0⅛	13.84
Gulf States O/S 16 90	60	100⅜	100⅞	−0⅝	−0⅞	15.83
Int-Am. Dv. Bk. 15⅜ 87	65	†99⅝	100⅛	−0⅛	−0½	15.92
Japan Dev. Bk. 15½ 87	50	103⅜	103⅞	−0⅛	−0⅜	14.32
New Brunswick 16⅜ 89	75	104⅛	104⅝	−0⅛	−1	15.12
Ontario Hydro 14⅜ 89	150	101⅜	101⅞	−0⅝	−0⅛	14.35
Pac. Gas & El. 15⅝ 89	80	103½	104	−0⅞	−0⅛	14.76
Pac. Gas & El. 15⅞ 89	45	103	103½	−0⅛	−0½	14.68
J. C. Penney Gl. 0.0 94	350	21⅝	22⅛	−0½	−0⅝	13.86
Phillips Petrol 14 89	200	97	97½	−0½	−0⅝	14.64
R.J. Rynlds. O/S 0.0 92	400	27¾	28¼	0	−0⅞	14.00
Saskatchewan 16 89	125	104	104½	−0⅛	−0⅛	14.92
Shell Canada 14⅜ 92	125	98½	99	−0⅞	0	14.87
Spain 15⅞ 87	100	99⅝	100⅛	0	+0⅛	15.70
Statsforetag 15⅜ 87	50	100⅝	101⅛	+0⅛	+0⅛	15.39
Swed. Exp. Cr. 15⅜ 89	100	99⅜	99⅞	−0⅛	−0⅛	15.30
Swed. Exp. Cr. 14⅞ 90	100	96⅛	96⅝	−0⅛	−0½	15.57
Swed. Exp. Cr. 0.0 94	200	21⅛	21⅝	−0½	−0⅝	14.00
Union Carbide 14⅞ 89	150	100⅜	100⅞	−0⅛	−0⅛	14.58
Wells Fargo I. F. 15 87	75	101	101½	−0½	−0½	14.57
World Bank 15⅝ 88	250	100⅜	100⅞	−0⅝	−0⅞	15.03
World Bank 14⅜ 87	500	97½	98	−0⅝	−0⅞	14.91

Average price changes... On day −0⅛ on week −0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9⅞ 92	150	99½	100⅛	0	+0⅛	9.28
Australia 9⅜ 91	300	103⅜	104⅛	−0⅛	+0⅛	8.76
Australia 9⅜ 91	200	103½	104⅛	0	+0⅛	8.71
Canada 8½ 89	200	†100½	101	—	—	8.35
Comp. Tel. Esp. 10½ 92	100	101⅜	101⅞	+0⅛	+0⅛	10.23
Denmark 10 88	100	101¼	102	0	+0⅛	9.60
Denmark 10⅛ 92	100	101⅞	102⅜	0	+0⅛	9.78
EDF 9⅞ 92	100	101⅜	101⅞	0	−0⅞	9.64
EEC 10⅛ 93	100	103⅛	103⅞	0	+0⅛	9.59
EEC 9⅜ 94	200	102½	103⅛	−0⅛	+0⅞	9.33
EIB 9⅜ 89	60	101⅜	102½	−0⅛	−0⅛	9.28
Int.-Am. Dev. Bk. 9 92	150	†99⅛	99⅝	—	—	9.07
Ireland 10⅜ 88	100	101⅞	102½	0	−0⅞	9.50
Mexico 11 88	100	101½	101⅞	+0⅛	0	10.64
Nacnl. Financiera 11 90	150	99½	100	−0⅛	−0⅛	11.03
Nat. West. 9⅞ 92	100	104	104⅛	−0⅛	−0⅛	9.15
OKB 9⅜ 86	150	102	102⅜	−0⅛	−0⅛	9.23
Quebec 10⅛ 92	150	104⅜	105⅛	0	−0⅛	9.34
Quebec Hydro 10⅜ 91	150	103⅝	104½	+0⅛	+0½	9.57
Renfe 10 92	100	99¾	100⅜	0	+0⅛	10.00
Tauernautobahn 9⅞ 94	50	103	103½	0	0	9.39
World Bank 9½ 89	100	102	102⅜	+0⅛	0	9.01
World Bank 10 91	250	104⅝	105⅛	+0⅛	+0⅞	9.17

Average price changes... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7½ 92	80	103⅜	103⅝	0	+0⅛	6.96
Aucalsa 7⅜ 92	80	98⅜	99	0	+0⅝	7.91
Australia 6½ 94	100	103½	103¾	+0⅛	−1½	6.06
Cse. Nat. l'Energie 7 92	100	101½	101¾	−0⅛	−0⅛	6.77
CFE-Mexico 8⅛ 92	50	99⅜	100	+0⅛	−0⅛	8.26
Co-op. Denmark 8⅛ 92	25	105	105⅜	+0⅛	0	7.61
Crown Zellrbch. 6⅞ 92	100	102⅜	102½	+0⅛	−0⅛	6.41
Denmark 7¼ 91	100	102⅛	102⅜	+0½	−0⅛	6.86
EIB 7⅛ 92	100	103½	103¾	+0⅛	−0⅞	6.72
Elet. de France 7 92	100	102	102⅜	+0⅛	−1½	6.68
ENEL 8 92	44	102⅛	102⅜	−0⅛	+0⅛	7.65
First City Fin. 8⅜ 92	25	103½	103¾	+0⅛	−1	7.70
Kommunlans 7⅛ 92	35	101	101⅜	+0⅛	+0½	7.09
Manitoba 7 92	100	105	105½	−0⅛	−0½	6.26
Mitsui OSK 6½ 92	100	101	101⅛	0	0	6.34
National Pwr. Co. 8 92	30	103½	103¾	−0⅛	0	7.46
Nippon T. and T. 6⅞ 92	100	103¼	103½	+0⅛	+0⅛	6.15
OKB 7⅜ 92	100	104⅜	104½	+0⅛	−0⅛	7.11
Ost. Donaukraft 7 92	100	102	102¼	−1	−0⅞	6.69
Ost. Postspar 7½ 92	100	†103	103½	−0⅛	−0⅛	7.02
Philip Morris 6⅝ 92	100	104⅛	104⅜	0	+1⅛	6.04
Quebec 7⅛ 92	100	105½	105¾	+0⅛	+0⅛	6.57
Sekisui Pre. 5⅜ 92 WW	70	104⅛	104⅜	0	−0⅛	5.17
Soc. Lux. de Cnt. 8⅛ 92	80	105⅝	106	−0⅛	+0⅛	7.14
Transcanada Pipe 7 94	100	100⅞	101⅛	+0⅛	+0⅛	6.87
Vorarlberg Kraft 6⅝ 92	50	102¾	103	+0⅛	+0⅛	6.34

Average price changes... On day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 91	15	99½	100½	−0⅛	−0½	8.24
Int.-Amer. Dev. 8⅞ 91	15	103	104	+0⅝	+0½	8.31
Japan Airlines 7⅞ 87	9	97	97½	−0⅛	−0⅝	8.59
New Zealand 8⅜ 87	15	99⅝	100⅛	−0⅛	−0⅜	8.34
World Bank 8½ 92	20	99⅞	100½	−0⅛	−0⅞	8.35

Average price changes... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Pac. S. 16⅜ 89 C$	50	†99	99½	−0⅛	−0⅛	16.53
Crd. Foncier 17⅜ 89 C$	30	†100	100½	−0⅛	+0⅛	17.03
Hudson Bay 17 89 C$	40	†99⅛	100⅛	0	0	16.97
Nacional Fin. 17⅜ 87 C$	50	†98	99	0	−0½	18.17
Q. Hyd. 16½ 89 (Mr) C$	50	†99⅛	100	−0⅛	−0⅛	18.51
Q. Hyd. 16½ 89 (My) C$	50	†98⅞	99⅛	0	−0½	16.74
Simpsons 16⅛ 89 C$	40	†97⅛	97⅞	−0⅛	−0⅛	17.37
U. Bk. Nwy. 9½ 90 EUA	18	89½	90⅛	0	0	11.47
Amro Bank 10 87 Fl	150	99⅛	99⅝	−0⅛	−0½	10.16
Bk. Mees & H. 10 87 Fl	75	98⅞	99⅛	−0⅛	−0⅛	10.26
Eurofima 10½ 89 Fl	50	101	101½	−0⅛	0	10.22
Phil. Lamps 10⅛ 87 Fl	100	100⅞	101⅛	−0⅛	−0½	9.93
Rabobank 12 86 Fl	50	106⅛	106⅝	+0⅛	−0⅛	10.00
World Bank 10 87 Fl	150	98⅜	99⅛	−0⅛	−0⅛	10.27
OKB 14 86 FFr	400	92⅜	93⅜	0	0	16.64
Solvay et C. 14½ 86 FFr	200	92⅜	93⅜	0	−0⅛	17.46
Acona 14 85 £	20	95⅜	96⅛	0	+0⅛	15.37
Beneficial 14½ 90 £ (D)	20	88⅛	89⅜	+0⅛	+0⅛	16.64
BNP 13½ 91 £	15	93⅜	94⅛	+0⅛	+0⅛	14.81
CECA 13½ 88 £	20	94½	95⅛	0	+0⅛	14.70
Fin. Ex. Cred. 13½ 86 £	15	94⅝	95⅜	0	−0⅛	15.48
Gen. Elec. Co. 12⅞ 89 £	50	92⅛	93⅛	+0⅛	+0⅛	14.11
Hiram Walker 14⅛ 86 £	25	97½	98⅛	0	+0⅛	14.93
Privatbanken 14½ 88 £	12	94⅜	95⅛	+0⅛	+0⅛	15.91
Quebec 15½ 87 £	35	101⅛	102⅛	+0⅛	−0⅛	14.81
Reed (Nd) NV 16⅛ 89 £	25	102⅞	103⅞	+0⅛	+0⅛	15.84
Royal Trustco 14 86 £	12	97⅞	98⅞	+0⅛	+0⅛	14.53
SDR France 15½ 92 £	30	99⅜	100⅛	+0⅛	+0⅛	15.44
Swed. Ex. Cr. 13⅞ 86 £	20	97⅜	98⅛	+0⅛	+0⅛	14.37
Eurofima 10½ 87 LuxFr	500	96⅛	96⅞	0	−0⅛	11.40
EIB 9⅜ 88 LuxFr	600	93	94	+0⅛	0	11.34

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5⅛ 92	0⅛	98⅛	98⅝	15/10	15.69	15.93
Bank of Montreal 5⅛ 91	0⅛	99	99½	29/10	15⅛	15.24
Bk. of Tokyo 5⅛ 91 (D)	0⅛	98⅞	99⅛	10/6	13⅛	13.37
Bk. Nova Scotia 5⅛ 93	0⅛	99⅛	99⅝	29/10	15⅛	15.18
BFCE 5⅛ 88	0⅛	99⅛	99⅝	28/10	15	15.08
BFCE 5⅛ 87	0⅛	99⅛	99⅝	27/7	16⅛	16.33
Caisse Nat. Tels. 5⅛ 90	0⅛	99⅛	99⅝	21/10	15⅛	15.83
CCCE 5⅛ 2002	0⅛	98⅛	99	11/6	14.82	15.00
Co-Ban Eurofin 5⅛ 91	0⅛	99½	99⅞	14/10	16	16.10
Credit Agricole 5⅛ 97	0⅛	98⅝	99⅛	24/9	15.44	15.52
Credit Lyonnais 5⅛ 97	0⅛	99⅛	99⅝	1/10	16	16.06
Credit Nat. 5⅛ 94	‡0⅛	98⅞	99⅛	9/6	14.69	14.85
Denmark, Kngdm. of 92	0⅛	†99	99⅛	25/8	15.44	15.57
Den Norske Cred. 5⅛ 93	0⅛	98⅛	98⅝	4/6	13.56	13.79
Indonesia 5⅛ 92	0⅛	*98⅛	99⅛	29/11	14⅛	14.92
Ind. Bank Japan 5⅛ 88	0⅛	99	99½	12/11	14⅛	14.61
Kansallis Osake 5½ 92	0⅛	99	99½	8/11	15.31	15.43
Lloyds Eurofin 5⅛ 93	§0⅛	99⅛	99⅝	29/10	17⅛	17.21
Long Term Cred. 5⅛ 92	0⅛	98⅞	99⅛	27/5	5⅛	5.30
J. P. Morgan 5⅛ 97	§0⅛	99⅛	99⅝	12/8	14⅞	14.75
Nat. West. Fin. 5⅛ 91	§0⅛	99⅛	99⅝	15/7	15.19	15.26
New Zealand 5⅛ 87	0⅛	99½	100	7/10	15.58	15.60
Nippon Credit 5⅛ 90	0⅛	98⅞	99⅛	10/8	16.06	16.16
Offshore Mining 5⅛ 91	0⅛	99	99½	2/8	13	13.10
PKbanken 5 91	0⅛	99⅛	99⅝	17/6	14⅛	14.48
Scotland Int. 5⅛ 92	0⅛	98⅞	99⅛	23/9	15⅛	15.51
Sec. Pacific 5⅛ 91	0⅛	99⅛	99⅝	24/11	15	15.08
Societe Generale 5⅛ 95	0⅛	99⅛	99⅝	7/9	15.37	15.39
Standard Chart. 5⅛ 91	0⅛	98⅞	99⅛	18/11	14⅞	15.01
Sumitomo Fin. 5⅛ 88	0⅛	99⅛	100⅛	9/8	16	16.02
Sweden 5⅛ 89	0⅛	99⅛	99⅝	26/8	15.31	15.39
Toronto Domin'n 5⅛ 92	0⅛	99⅛	99⅝	11/8	16⅛	16.46

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	87⅛	88⅞	+1⅞	7.89
Bow Valley Inv. 8 95	4/81	23.12	98⅛	100⅛	+1⅛	50.22
Bridgestone Tire 5½ 96	3/82	470	83⅛	85⅛	−0⅛	−1.79
Canon 6⅛ 95	1/81	829	93⅛	95⅛	+0⅛	14.92
Daiwa Secs. 5½ 96	12/81	513.3	†83	85	0	−1.00
Fujitsu Fanuc 4½ 96	10/81	5641	92	94	+0⅛	17.04
Furukawa Elec. 5⅛ 96	7/81	300	93½	95	−0⅛	−3.04
Hanson O/S Fin. 9½ 96	8/81	1.38	†84	86	+1½	−11.50
Hitachi Cable 5⅛ 96	2/82	515	91	92½	+2	4.58
Hitachi Cred. Cpn. 5 96	7/81	1612	79	81	+0⅛	9.56
Honda Motor 5½ 97	3/82	841	86⅛	87⅛	+2	4.91
Inchcape 8 95	2/81	4.55	†59	60½	−0½	19.58
Kawasaki 5⅛ 96	9/81	229	63⅛	65⅛	−0⅛	2.29
Marui 6 96	7/81	846.4	103	104½	+0⅛	3.27
Minolta Camera 5 96	10/81	826.4	63	64½	+2⅛	23.51
Minorco 9⅜ 97	5/82	8.16	†86½	88	−0⅛	25.75
Murata 5⅛ 96	7/81	2168	70	71½	−2⅛	22.97
NKK 6⅛ 96	7/81	188	78½	80	+1⅛	−9.48
Nippon Chemi-C. 5 91	10/81	919	64	66	0	17.19
Nippon Electric 5⅛ 97	2/82	846	93⅛	94⅛	+3⅛	7.77
Orient Finance 6⅛ 97	3/82	1205	95	96½	+1½	13.36
Sanyo Electric 5 96	10/81	662	73	74½	+3	19.01
Sumitomo Elec. 5½ 97	3/82	577.3	89	90½	+1⅛	4.95
Sumitomo Met. 5⅛ 96	10/81	296.1	63⅛	65⅛	+1⅛	25.14
Swiss Bk. Cpn. 6⅛ 90	9/80	191	78⅛	80⅛	0	32.51
Konishiroku 6 90 DM	2/82	685	101⅞	102⅛	+2	4.00
Mitsubishi H. 6 89 DM	2/82	263	92⅞	93⅛	+0⅛	19.79

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Japanese shipping lines show growth

BY YOKO SHIBATA IN TOKYO

MOST of Japan's major shipping companies report strong operating profits for the year ended March 1982, helped by the upsurge in dollar-denominated freight revenues resulting from the weakness of the yen. The top two liner groups, Nippon Yusen and Mitsui OSK Line, posted record revenue and operating profits. In contrast, Japan Line suffered a revenue fall because of the high proportion of tankers among its fleet.

OPERATING PROFITS	Ybn	% change
Nippon Yusen	30.8	+67
Mitsui OSK	17.1	+42
Kawasaki Kisen	5.6	+ 7
Japan Line	0.8	+ 4
Yamashita-Shinihon	6.3	+4$\frac{1}{2}$
Showa Kaiun	5.7	+23

For the most part Japan's shipping companies enjoyed higher load factors as the yen's depreciation pushed up Japanese exports. The liner market was strong throughout the year, although the tramp market deteriorated from September onwards.

Nippon Yusen and Yamashita Shinnihon enjoyed exchange gains of Y2.2bn ($9m) and Y3.2bn respectively.

Most liners resorted to a change in accounting procedures in order to trim their net profits, thus keeping them within 20 per cent of total capital. If profits exceed this level the companies cease to enjoy Government subsidies.

Nippon Yusen reports operating profit up by 67 per cent helped by buoyant operations in liners and car carriers. The fact that the company nevertheless incurred a net loss was blamed on payment of an additional Y5bn of corporate tax following the disallowance by the tax authorities of a change of accounting procedures in the previous year.

Despite reduced revenue, Japan Line made an operating profit last year thanks to rationalisation and disposals.

Westland Utrecht still in the doldrums

By Walter Ellis in Amsterdam

WESTLAND UTRECHT Hypotheekbank, largest mortgage bank in the Netherlands, made an operating profit of just Fl 3.3m ($1.3m) in the first quarter of this year compared with Fl 3.9m in the previous quarter and Fl 7m in the first three months of 1981. The net result after transfers to the contingency fund was a loss of Fl 9.2m.

The continuing difficulties facing the bank arise almost entirely from the depressed state of the Dutch property market, in which house prices have been falling for the past two years. Westland Utrecht believes that the market may recently have reached its lowest point and looks ahead cautiously to an improvement over the 12 months of 1982.

Some 400 mortgages were issued by the bank between January and March this year, to a value of Fl 53m. This compares with 2,500 mortgages in the same period of 1981, valued at Fl 327m.

The bank notes that Dutch interest rates have fallen this year and sees this as encouraging. Its own base mortgage rate has fallen correspondingly from the rate in January of 13 per cent to last week's figure of 10.7 per cent.

A major problem in the Dutch market has been the reaction to the property boom of the early and mid seventies. Companies which were then doing well and expanding their office space are now unable to meet commitments.

PUK expects heavy loss in aluminium subsidiary

BY DAVID WHITE IN PARIS

PECHINEY Ugine Kuhlmann, the recently nationalised French metals group, expects to run up heavy losses this year in its central activity, aluminium.

Falling world demand and prices have brought a deficit of FFr 213m ($35m) at its fully owned subsidiary Aluminium Pechiney in the first four months of the year. The company expects the figure to reach FFr 500m for the year.

In 1981, the last year before the state takeover, the group as a whole lost FFr 1.75bn on sales of FFr 41bn—largely as a result of troubles in its chemicals and steel activities. It has already dropped its special steel arm and is due to transfer its chemical division Produits Chimiques Ugine Kuhlmann, to the Elf-Aquitaine oil group, under the Government's latest reorganisation plan for the chemical industry.

The continuing depression of the aluminium market is hitting at the heart of the group and its traditional main source of profits.

Monthly orders for aluminium were running at 20 per cent below the level of early 1980. Prices had meanwhile fallen by a further 2.6 per cent between January and April this year.

The problem was made worse by high interest rates, which added to the cost of financing stocks, and by the cost of electricity at the French smelters.

It claimed that if the charge per kilowatt hour was at the average rate paid by its international competitors, its loss for the first four months would have been FFr 160m lower.

Degussa hit by reduced first half turnover

BY OUR FINANCIAL STAFF

DEGUSSA, the West German precious metals and chemical group, sees little chance of maintaining profits this year. However, the trend towards more stable energy and commodity prices combined with cost-saving could improve earnings in the second half.

The opening half of the current year has seen group turnover fall 20 per cent to DM 4.4bn ($1.9bn). Degussa blamed the unfavourable figures principally on prices for gold and platinum that were one-third lower in dollar terms than in the first half of the previous year.

The parent company's metals division experienced a 24.1 per cent drop in turnover, although sales rose by 4.8 per cent once precious metal values had been discounted. In the chemicals division results were "less satisfactory" despite a 9.7 per cent rise in turnover.

Turnover among foreign and domestic companies in the group rose encouragingly in the half year, although Degussa Corporation of the U.S. was an exception.

Capital investment came to DM 63m compared with DM 72m in the previous first half. The company said this year's figure would eventually match that of 1980-81 with emphasis on expansion of acrolein and methyl methacrylate capacity.

Alsthom plans FFr 365m rights issue

By David White in Paris

ALSTHOM-ATLANTIQUE, the French electrical engineering and shipbuilding group, plans a rights issue less than four months after coming under indirect state control.

The company, which is 65 per cent owned by the nationalised CGE group, plans to raise FFr 365m ($60m) by offering 3.04m shares on a two-for-five basis. The shares are priced at FFr 120 and will qualify for dividend as from January.

The operation will bring Alsthom's nominal capital up to FFr 532m from FFr 380m. The issue follows the announcement of a FFr 210m net profit for 1981 on consolidated sales of FFr 13bn. Subscriptions are open for a month from June 7.

Cardo expects earnings to improve in 1982

BY WILLIAM DULLFORCE IN STOCKHOLM

CARDO, the Swedish sugar and seeds group, expects to achieve a "not inconsiderable" improvement in earnings this year, Mr Per Lindblad, managing director, says in the 1981 annual report. This should be good news for the institutional investors who took up the 400,000 shares placed in London last year by Hambros Bank, providing Cardo with SKr 128m ($22m) in new capital

Last year consolidated pre-tax profits reached SKr 297m on turnover of SKr 2.4bn. Net extraordinary income of SKr 41m brought 1981 profits before allocations to SKr 338m.

Pre-tax return on capital was 12.2 per cent and at the net level the return on equity was 10.6 per cent. Earnings amounted to SKr 24 a share. Shareholders are being paid a dividend of SKr 7.50 a share and there is also a one-for-four scrip issue.

The prospect of higher earnings in 1982 rests mainly on the likelihood that the sugar company will perform better.

Wienerwald rescue plan

BY OUR FINANCIAL STAFF

WINERWALD, the Swiss-based restaurant and hotel group, has presented its creditor banks with a plan aimed at resolving the current cash crisis by concentrating on the company's profitable restaurant and takeaway divisions.

This was anounced by Winerwald in Munich yesterday and follows a decision by the leading eight of the chain's 30 creditor banks to call off an agreement for a stanstill on principal repayment on debts of some DM 260m ($113m). The company said negotiations with individual banks were being carried out in Switzerland and West Germany. An outcome was expected later this week.

Wienerwald is one of the top half-dozen catering groups in the world. It owns more than 1,400 restaurants, most of which are in West Germany and the U.S. Group sales in 1981 topped $1bn.

How Fiat Trattori ploughed ahead

James Buxton reports on Europe's biggest tractor manufacturer

MODENA, AN elegant city on the edge of the Lombardy plain, has that rare thing in the agricultural machinery world — a reasonably prosperous tractor manufacturer. While the big North American tractor makers are all, to differing degrees, in difficulties, Fiat Trattori, the tractor subsidiary of Fiat, more than doubled its profits last year.

Fiat Trattori is the third largest tractor manufacturer in the world, after Massey Ferguson and John Deere. Since 1979 it has been the biggest tractor maker in Europe, claiming a 14.2 per cent share of the market in 1981.

It has been expanding its market share as the tractor markets in the free world and Western Europe have declined. The European market fell from 365,000 tractors in 1976 to 264,000 last year, yet over the same period Fiat's share of it climbed from third place with 10.9 per cent in 1976 to first place. Production of assembled tractors have gradually gone done, but not as steeply as for many of its competitors.

Part of Fiat's strength on the European tractor market as a whole is due to its powerful position on the Italian Domestic market, the same factor that narrowly makes Fiat Auto the biggest car maker in Europe. Last year the Itanian tractor market was at 55,600 tractors, the largest in Europe, and Fiat increased its share from about 33 per cent to 36 per cent, thanks to what one of its leading competitors calls "a violent promotional effort." Sales in Italy account for more than half Fiat Trattori's total European sales of 37,600.

Fiat has a unique position on the Italian market. It sells and services tractors exclusively through the Agricultural consortia, the net work of farms' purchasing cooperatives which are closely related to the big farmers' organisations. Farmers who want to buy tractors through the consortia have virtually no choice but to buy a Fiat, and the consortia's penetration of the country is powerful. They have 3,000 branches against the total number of communes in Italy of 8,000.

The company has had a close relationship with the consortia ever since it produced its first tractor about 60 years ago. They give it a considerable advantage against other manufacturers in many parts of the country.

However, about 70 per cent of Fiat Trattori's sales, reckoned by value, were outside Italy last year. The company attributes much of its strength to a big investment programe which began in the mid-1970s, and to its system of concentrating production and investment on a few plants, all in Italy.

Fiat Trattori became a fully fledged subsidiary of Fiat instead of just a division when the parent company turned itself into a holding company in 1979. It thereby gained the independence to make many of its own decsions as a relatively small and compact company and rapidly developed and brought out a series of models of the latest type, including the powerful, and almost luxurious types of tractors which are standard issue for many North European farmworkers.

Fiat Trattori's output fell last year by 5 per cent and in Italy the consortia dealers maintained sales above production levels by running down stocks (a similar process was under way in Fiat's car division). But the company saw a 50 per cent increase in the number of knocked-down kits it sold to its licensees. It has assembly plants in Spain, Argentina, and Turkey, and licensees in Yugoslavia, Romania and elsewhere. In all it sold nearly 47,000 assembled tractors and 24,000 kits—making a total about the same as for 1980, but with a higher component of kits.

Turnover rose a modest 13 per cent to L824bn ($633m) in 1981, but profits were sharply up from L6.1bn to L15.4bn. The whole tractor division of the Fiat parent company, which has stakes in foreign subsidiaries and associates, saw its turnover rise 30 per cent to L1,467bn last year. The division includes a stake in Hesston, the U.S. agricultural machinery company, and Laverda, the Italian combine harvester maker.

But even though Fiat sales have held up well in Italy in the early months of this year—against a market 10 per cent weaker than a year before—the company is worried that the poor Italian economic outlook not only bodes ill for the domestic market but, more importantly, for its production costs. The inflation rate is still high, and the bulk of its production takes place in Italy.

The large type of tractor suitable for northern Europe and North America predominates in sales at the moment. But in the medium-term Fiat expects its fastest growth to come in those parts of the world — including parts of southern Italy — where mechanisation in agriculture still has a long way to go. That could mean a far bigger market, but a more difficult and probably less lucrative one. The southern type of tractor tends to be smaller, with fewer accessories and is about half as expensive

Fiat already has an assembly operation in Nigeria and is strong in Pakistan and Iraq. But a project for revitalising the Chinese agricultural machinery industry—for which Fiat considers itself well placed—was last year put into cold storage as part of the Chinese Government's cuts.

Finnish oil group income falls 44%

By Lance Keyworth in Helsinki

NESTE, the Finnish state-owned oil refining, petrochemicals and shipping group, reported net earnings down by 44.2 per cent in 1981 to FM 62m ($14.2m) after full depreciation and taxes. Net turnover rose by 22 per cent to FM 16.3bn, mainly because of the increase in crude oil prices at the beginning of the year. A dividend of 9 per cent was declared.

Mr Jaakko Ihamuotila, chairman and chief executive, said oil consumption in Finland fell by 7 per cent to less than 12m tonnes for the first time since 1974. Oil accounted for only 42 per cent of total energy consumption, a low which, according to the Government's energy policy, should not have been reached until the mid-1980s.

In accordance with its diversification policy, Neste intends to take up producing, refining and trading in coal and other fuels. It has already contracted to import 1m tonnes of coal from the U.S. in 1981-83.

It has also been making preliminary surveys of coal production prospects in the U.S. Finland has no indigenous coal deposits. The company already has five coalers in its shipping fleet.

Bank of Italy

THE Bank of Italy reported a 1981 profit of L131bn ($100m), of which L81bn will revert to the Treasury. The rest will be placed in various reserve funds, apart from about L30m, which wil be paid out as dividend to the various central bank stockholders.

INTERNATIONAL REVENUE SHOWS RAPID GAINS

Japanese city banks lift earnings

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN'S 13 city banks increased their profits substantially in the year to March 1982, in part as a result of rapid gains in international operating revenue.

Operating profits (before securities gains and losses) totalled Y607.7bn ($2.5bn), up 14.2 per cent while net income rose 35.2 per cent to Y344.7bn. Revenue from international operations totalled Y417.5bn, an increase of 24.7 per cent.

Because of the generally favourable results, and because of the withdrawal of Ministry of Finance guidance which had obliged all banks to declare the same dividend, the seven largest city banks together with the foreign exchange specialist, Bank of Tokyo, are to pay dividends of 12 per cent instead of *the traditional 10 per cent.* The remaining five banks will continue to pay 10 per cent.

The good results were achieved despite a further decline in gross fund margins which left all but two of the 13 banks with a negative margin. Fund margins, however, are understood to have touched bottom before the end of the 1981 fiscal year, as a result of *the stabilisation of Japan's previously declining interest rates.* A further improvement in this area of operations is expected during 1982.

Differences in performance between individual banks appear to have widened in the year with the most successful, in most cases, being those which stressed international operations. Sumitomo Bank, the leader in terms of profits (but the fourth largest in terms of *deposits*), increased operating profits by 15.8 per cent to Y105bn, partly because of a 35 per cent increase in revenue from international operations. Sumitomo's profit on overseas business now amounts to 17.9 per cent of the total. The rise in Sumitomo's profits makes it Japan's most profitable financial institution, just edging past Nomura Securities.

Fuji Bank, ranking number two in terms of deposits, increased operating profits by 12.5 per cent to Y93.7bn after boosting its international revenue by 33 per cent. Mitsubishi Bank achieved a rise of 50 per cent in overseas revenue while operating profits rose 31 per cent to Y76.4bn.

Japan's leading bank in terms of deposits, Dai-Ichi Kangyo reported a 23 per cent rise in overseas revenue but increased its operating profits by only 1.8 per cent to Y57.7bn. The Bank of Tokyo also reported only a marginal increase in operating profits (of 0.3 per cent to Y48.8bn) despite the fact that, as Japan's only specialised foreign exchange bank it boasts the largest overseas revenue of the 13.

Profits after securities gains or losses were higher for most of the city banks than operating profits. This reflects reduced losses on the portfolios of government bonds that the banks are obliged to buy as a result of Ministry of Finance guidance.

The eight banks increasing their dividends to 12 per cent are Dai-Ichi Kangyo, Fuji, Sumitomo, Mitsubishi, Sanwa, Mitsui, Tokai and Bank of Tokyo. Ten per cent dividends will be paid by Taiyo Kobe, Kyowa, Daiwa, Saitama, and Hokkaido-Takushoku.

Mid-term setback at Perlis

By Wong Sulong in Kuala Lumpur

PERLIS PLANTATIONS, the diversified sugar-based group, has reported pre-tax earnings for the six months to March down by 15 per cent to 23.8m ringgit ($10.4m). The company suffered from lower retail sugar prices; in the half-year, while last year there was a gain of 2.7m ringgit from the sale of quoted shares.

In the second half, earnings are expected to be boosted by a gain of 7.8m ringgit from the sale of a property in Kuala Lumpur, and full-year profits are forecast to compare with the record 40m ringgit of 1980-81.

Mitsubishi Motors boosts profits despite sales slip

BY YOKO SHIBATA IN TOKYO

MITSUBISHI MOTORS Corporation, Japan's fourth largest car manufacturer, and 15 per cent owned by Chrysler, has reported pre-tax profits up by 205 per cent to Y30.62bn ($126m) for the year ended March 31 1982, despite the first setback in sales in the company's history.

Full year parent company turnover fell by 2.3 per cent to Y1,082bn. Net profits were 58.2 per cent higher at Y13.19bn and profits per share came to Y18.7 against Y11.8.

The fall in revenue came from a drop in sales of 8,500 units in the domestic market to 534,000 vehicles and a 68,500 unit fall in overseas sales to 624,600 vehicles. Car sales totalled 592,400 units, down by 15 per cent, while sales of trucks and buses totalled 566,200 units, up by 6 per cent. Export sales in Europe and Latin America fell sharply.

The jump in earnings is attributed to rationalisation measures, a rise in export prices and foreign exchange gains, which outweigh higher costs.

Both domestic and overseas sales are expected to stay at the 1981-82 levels in the current year. *The company forecasts* sales of around Y1,100bn and pre-tax profits of some Y30bn. Capital spending of about Y75bn is envisaged.

Bid to seize assets of S. African broker

By Our Johannesburg Correspondent

THE JOHANNESBURG Stock Exchange has applied to the South African Supreme Court for sequestration of the partnership estate of Saunders and Taylor, the stockbroking firm, which defaulted on June 15, 1981. At the same time, the JSE is applying for sequestration of the personal interests of the firm's two partners, Mr Peter George and Mr David Palmer.

Though Saunders and Taylor defaulted a year ago, the JSE had not applied for sequestration of the firm's assets until now. This has led to criticism in Johannesburg, since clients of the firm cannot be paid any compensation due to them from the JSE's guarantee fund until sequestration has taken place.

Matters came to a head this week when a private client of Saunders and Taylor announced that he was tired of waiting for the JSE to act, that he was instituting legal action to recover monies due to him and that he intended to refer the matter to the police. This appears to have led the JSE to institute its application in the Supreme Court.

Solel Boneh well ahead

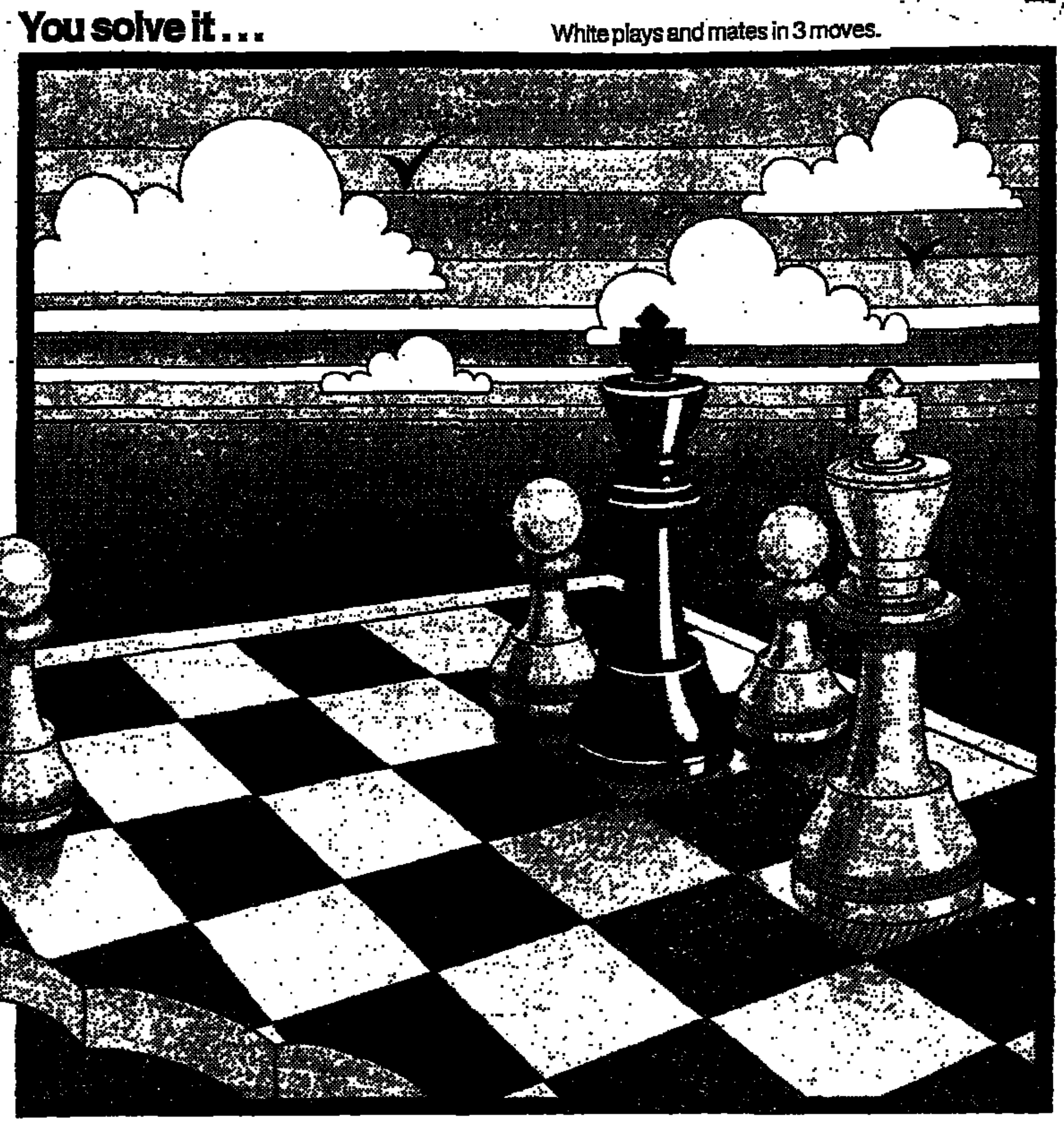
By L. Daniel in Tel Aviv

SOLEL BONEH, Israel's largest construction company, which is controlled by the *Histadrut*, the Israel labour federation, reports an increase in both local and overseas activity in 1981, with a corresponding rise in profits.

Projects carried out overseas, in Africa and the North American continent, were worth $478m, an increase of 25 per cent on 1980. A further 35 per cent rise, to $650m, is forecast for the current calendar year.

Activities abroad accounted for half of turnover by value and 35-40 per cent in volume.

Net profits came to Sh 508m ($32.7m at the year-end exchange rate) a rise of 119 per cent on 1980, compared with a local inflation rate of 101 per cent.



WORLD STOCK MARKETS

Dow off 2.25 at midday

PRICES DRIFTED lower at mid-session in sluggish trading, reflecting the market's pessimism over the outlook for U.S. interest rates and the economy.

The Dow Jones Industrial Average was off about 2.25 at 817.35. Declines led advances by seven to four and volume totalled a modest 20m.

Analysts said worries that interes rates would remain at their present high levels were intensified by the smaller-than-expected decline of U.S.$1.3bn in the M-1 measure of the weekly money supply, reported on Friday.

Projections that there would be a surge in the money supply in early July, followed by a pick-up in interest rates in July and August, added to the worries.

One analyst said that if high interest rates continued, an economic upturn would be further delayed.

Mesa Petroleum, up 1⅞ to $18⅞, was one of the most active issues, and the biggest gainer. Cities Service has started a $17-a-share tender offer for 51 per cent of Mesa's stock. Mesa is offering $50 a share for all of Cities Service's stock. Cities Service has not opened for trading.

THE AMERICAN SE Market Value Index was off 4.85 at 266.38 at 1 pm, on volume of 3.49m shares.

Canada

Stocks were broadly and sharply lower at mid-session.

The Toronto Composite Index shed 18.4 points to 1,505.3 on volume of 2.03m. Declines led advances 188 to 101.

Oil issues were sharply lower. Analysts said the taxation and *oil pricing* changes in the national energy programme announced on Monday, were too limited to have any great impact on the oil industry.

The Oil Index fell 95.1 to 2,686.2 as most active Dome Petroleum slipped ½ to C$7½, Gulf Canada ⅜ to C$15½, Turbo Resources 12 cents to C$1.47, Texaco Canada 1½ to C$28½, and Imperial Oil Class A ⅞ to C$23½.

The Montreal Composite Index also declined to 259.00, down 3.37.

Tokyo

The market staged a modest rally for the second consecutive day on limited bargain-hunting in Blue Chips after the sharp falls late last week, but trading was thin on lack of fresh news, dealers said.

The Nikkei-Dow Jones Index closed at 7,368.66, up 43.01 adding to Monday's gain, on volume of 170m shares. The Tokyo SE Index added 3.40 to 549.82.

Internationally-known issues advanced on selective buying, with Hitachi gaining Y25 to Y677 and Pioneer Y120 to Y1,610, but low-priced domestic issues ended only marginally higher.

The yen's rise against the dollar in the afternoon gave prices a psychological boost, but the rally was mainly technical, one analyst said.

Heavy Electric Machine-makers, Computer-makers, Light Electricals, Precisions and Drugs were higher. Fujitsu gained Y17 to Y756, Nippon Electric Y28 to Y818, Canon Y30 to Y800, Mitsubishi Electric Y9 to Y271, Takeda Y13 to Y839, Sony Y60 to Y3,600 and Honda Motor Y6 to Y726.

Biotechnology issues were also favoured, with Ajinomoto rising Y34 to Y860 and Kyowa Hakko Y15 to Y590. The second market eased slightly.

Hong Kong

Prices closed easier although off the day's lows in slow trading.

The Hang Seng Index closed 3.31 points lower at 1,404.27 on limited volume.

The one percentage point cut in local prime lending rates, effective from Monday, had little impact on the market.

Leaders eased apart from China Light, which gained 50 cents to close at HK$17.80. Cheung Kong eased 10 cents to HK$17.80 as did HK Bank to HK$11.80. Hutchison Whampoa to HK$17.80, Jardine Matheson to HK$18.50 and Swire Pacific "A" to HK$12.30.

Elsewhere, Carrian Investments closed 7.5 cents up at HK$3.70, Paul Y five higher at HK$6.05, Trafalgar 7.5 up at HK$3.30, World International 12.5 up at HK$3.25. Tai Cheung, however, dipped 2.5 cents to HK$2.75.

Singapore

Prices rose slightly in a session interrupted by a power failure. The Straits Times Index closed up slightly at 760.97 (758.36).

The blackout, which closed the market early, hit most banks. Trading again was slack despite news of the go-ahead for the construction of the Mass Rapid Transit (MRT), the S$5bn subway system.

Germany

Prices closed mixed in quiet trading influenced by the weakness of the bond market, brokers said.

They said the mark's decline against the dollar on foreign exchange markets failed to attract foreign investors.

The Commerzbank Index closed at 704.1, up 3.3 on Friday's 703.40.

Industrials were mixed, with Metalgesselschaft up DM 2 and Lufthansa down DM 0.5.

Degussa lost DM 2.50 after announcing it expected lower earnings in the current year. In other Chemicals, Schering was down DM 0.7, Hoechst gained DM 0.2 and Mark and Bayer was up DM 0.5.

In Electrics, Brown Boveri backed off DM 1, AEG was up DM 0.4, Siemens gained DM 0.5 and Varta was up DM 0.5.

In Banks Bayerische Hypobank gained DM 3.5, but Deutsche Bank shed DM 1.6, Dresdner Bank slipped DM 0.5 and Bayerische Vereinsbank DM 1.5.

Paris

Prices drifted lower in moderate trading as the market responded to renewed pressure on the French franc.

The market indicator was off slightly at 107.90 with declines outnumbering advances 102 to 64.

Analysts said the franc's weakness on foreign exchange markets discouraged buyers and contributed to some selling amid rumours of a possible devaluation of the franc within the European Monetary System.

The continuing Falklands crisis and nervousness ahead of the seven-nation summit at the end of the week, also contributed to the easier tone. Dealers said investors had chosen to remain liquid until after the meeting.

Foods, Constructions, Stores and Metals closed lower, while Hotels and Oils were slightly higher.

Australia

Markets closed marginally higher with Situation stocks dominating activity while local investors awaited indications from overseas markets, brokers said.

The All Ordinaries Index closed 1.5 up at 506.3, the Industrial was off 0.7 at 661.8 and the Resource indicator gained 3.1 to 379.9.

Volume was boosted by heavy trading in Cooper Basin participants, Basin Oil and Reef Oil, after National Mutual Life Association of Australasia, launched takeover offers for both companies.

Johannesburg

Gold shares eased across the board following the bullion price in quiet trading after the long weekend.

Producer losses stretched to 115 cents as in Western Deep at 2,725 cents, while Southvaal shed 85 also to 2,725. Lesser-priced issues declined 10 to 15 cents. In Diamonds, De Beers shed two to 463, while Anglos was unchanged at 1,010 after 1,015 ahead of final results.

Gold share price falls depressed other sectors, with Platinums, Coppers and Industrials all easing.

Closing prices for North America were not available for this edition.

NEW YORK

[illegible]

Indices

NEW YORK — DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

NY. S.E. ALL COMMON

[illegible]

MONTREAL

[illegible]

TORONTO Composite

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

(**) Saturday May 29: Japan Dow 7285.08, TSE 542.63.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

CANADA

[illegible]

BELGIUM (continued)

June 1	Price Frs.	+ or —
Petrofina	4,495	—65
Royale Belge	5,520	+470
Soc. Gen. Banq.	2,805	......
Soc Gen Belge	1,202	+8
Sofina	3,280	+10
Solvay	1,970	+90
[illegible]	[illegible]	[illegible]

HOLLAND

June 1	Price Fls.	+ or —
ACF Holding	80.5	—5
Ahold	76.6	+0.3
AKZO	24.8	—0.4
ABN	292	
AMEV	83.8	—0.8
AMRO	51.6	—0.7
Bredero Cert.	169	—1
[illegible]	[illegible]	[illegible]

AUSTRALIA

June 1	Price Aust. $	+ or —
ANZ Group	3.93	......
Acrow Aust	1.35	......
Ampol Pet	1.40	......
Assoc. Pulp Pap	1.60	......
Audimco	0.12	+0.01
Aust. Cons. Ind.	1.47	—0.01
Aust. Guarant.	2.30	—0.05
Aust. Nat. Inds.	2.78	......
[illegible]	[illegible]	[illegible]

JAPAN (continued)

June 1	Price Yen	+ or —
Kubota	331	—1
Kumgai	396	—4
Kyoto Ceramic	3,360	+30
Lion	381	+1
Maeda Cons	555	+9
Makita	735	......
Marubeni	288	......
Marudai	595	—10
[illegible]	[illegible]	[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

ITALY

[illegible]

NORWAY

[illegible]

SWEDEN

[illegible]

GERMANY

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

SWITZERLAND

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

Financial Rand US$0.79 (Discount of 15%)

BRAZIL

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

LONDON STOCK EXCHANGE

Fresh rise leaves Gilt-edged index at 14-month high but equity leaders falter after promising start

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 17	June 3	June 4	June 14
June 7	June 17	June 18	June 28
June 21	July 1	July 2	July 12

* "New time" dealing may take place from 9 am two business days earlier.

Another good performance by British Funds enlivened an otherwise uninspiring start to the final leg of the current trading Account in London stock markets yesterday. Equities displayed a firm underlying tone, but early interest petered out and leading shares tended to ease back after trading at slightly higher levels for the first couple of hours of business.

Although activity overall was again restrained pending developments in the Falklands, British Funds found encouragement from last week's fall in U.S. money supply which gave rise to hopes that other major American banks would follow Citibank's reduction in prime rate.

Medium- and long-dated Gilts opened ½ point higher and extended the gains to 1¼ before easing to close around a point up on balance. Of the three taplets announced last Friday, a good demand developed for Treasury 12 per cent 1995 which closed ⅛ higher at 93⅞. Gains in the shorts ranged to ⅜ and the Government Securities index improved 0.54 to 69.74, its highest since April 6 last year.

Illustrating the trend in the equity leaders, the FT 30-share index gradually surrendered a gain of 3.6, recorded at the 11 am calculation, to close unaltered on the day at 587.3. Many index constituents were a shade better but, reflecting profit-taking in defence stocks which have recently led the market higher, GEC, 940p, and Plessey, 453p, were moved 10 lower. Grand Metropolitan were quoted ex the rights issue, and the new shares actively traded to close at 45p premium, after 49p premium.

Discounts better

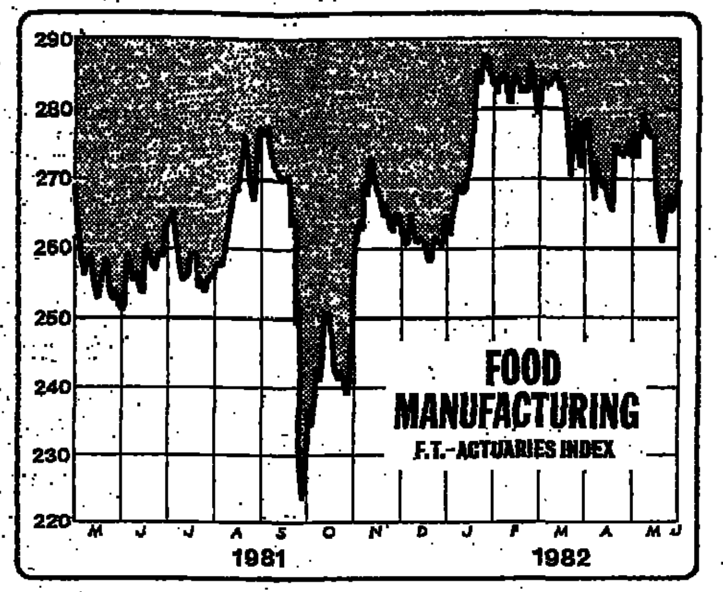
Interest in the banking sector was at a low ebb. Nevertheless, Discount Houses moved higher in sympathy with gilts. Cater Allen firmed 5 to 340p as did Union to 440p. Gillett Bros hardened a few pence to 158p and Jessel Toynbee appreciated 2 at 58p.

Minet lost 6 to 184p on profit-taking in the absence of bid developments. Elsewhere in Insurances, Royals dipped 5 to 332p and GRE, 268p, and Sun Alliance, 766p, slipped 4 apiece. A firm market recently reflecting hopes of a bid from Allianz Versicehrung, Eagle Star gave up 3 at 368p.

G. Ruddle staged a successful debut in the Unlisted Securities Market; from an opening level of 160p, the shares advanced to 166p before closing at 164p compared with the placing price of 140p.

The undertone in Buildings stayed firm and modest support was again forthcoming for selected leading issues, BPB Industries rising 4 and Tarmac *6 to respective 1982 peaks of* 454p and 576p. Publicity given to a broker's circular helped Redland improve 4 to 180p, while fresh buying lifted Barratt Developments 5 to a year's high of 398p. Taylor Woodrow rose 7 to 530p and George Wimpey a couple of pence to 115p, but Tilbury Group, a strong market recently on speculative buying, met with profit-taking and reacted to 490p before settling a net 3 lower at 495p.

Business in ICL remained thin and the close was 2 dearer on balance at 326p, after 328p. Coalite were supported in front of today's annual results and closed 2 up at 116p.



Martin scrip issue

Business in Stores remained thin and the leaders hovered around Friday's closing levels. Martin The Newsagent announced first-half figures in line with market expectations, but influenced by the proposed 100 per cent scrip issue rose 10 to 345p. W. H. Smith firmed a few pence to 193p, but other newsagents were static. Revived *speculative* support lifted Owen Owen 5 to 185p and Cornell Dresses 4 to 164p, while N. Brown, preliminary results due next Monday, ended 5 dearer at 124p. Sonic Sound continued to react to nervous selling and shed 7 more to 73p: the interim results are expected shortly. Shoes again featured Garnar Booth which added 4 more for a record two-day gain of 7 to 84p following Press comment.

The two major defence stocks, GEC and Plessey succumbed to profit-taking which left the former 10 down at 940p, after 938p, and the latter a similar amount lower at 453p. Elsewhere, Thorn EMI drifted back a few pence more to 415p with sentiment still unsettled by rights issue rumours. Cable and Wireless lost 5 at 283p and Racal dipped a like amount to 435p. Further Press comment suggesting that Plessey, with its large cash reserve, could bid for the company, helped Ferranti put on 5 afresh to 780p, after 785p. Electronic Rentals hardened 2 to 80p ahead of tomorrow's preliminary results, while George Schules gained 8 to 343p and Louis Newmark 12 to 252p. Oceonics jumped 20 to 230p following demand in a restricted market.

Engineering leaders were undecided after a slow trade. GKN hardened 2 to 169p as did Hawker to 342p, but Vickers lost the turn to 161p. United Engineering were notable among secondary stocks with a rise of 15 to 260p. G. M. Firth were favoured at 170p, up 5, while Rotork put on 3 to 59p. Telfos hardened 2 to 24p but Vosper, at 195p, lost 5 of the recent rise which followed the good results.

Press comment suggesting that Associated British Foods was faring better in the bakery war than its rival Ranks Hovis McDougall helped the former rise 4 to 138p, but left the latter 2 cheaper at a 1982 low of 54p. Other Foods also presented an irregular appearance. Associated Dairies touched 136p before reacting to close 4 cheaper on balance at 130p, but British Sugar met with fresh support and rose 10 to 475p. Avana added a few pence at 300p and Hazlewoods hardened 2 to 240p, the latter following satisfactory preliminary results.

Favourable weekend Press comment prompted active trading in Grand Metropolitan; ex the rights issue, the old touched 222p before settling a net 4 up at 218p, while the new nil paid shares started at 45p premium and touched 49p premium before reverting to the opening level.

Quietly firm miscellaneous industrial leaders were featured by a rise of 10 to 324p in Reed *International on demand ahead* of the preliminary results scheduled for next Monday. Pilkington improved 5 to 245p as did Unilever to 588p, while Glaxo put on 4 to 687p. Beecham hardened the turn to 276p awaiting tomorrow's annual statement. Elsewhere, London and Liverpool Trust advanced 6 to 59p in response to weekend Press comment and news of the two-year UK distribution deal with Grundig. Buying in anticipation of today's results helped De La Rue jump 22 to 580p, while renewed speculative support fuelled by revived bid rumours left Johnson Group Cleaners up 9 further at 258p. Celestion, 22p, and LRC, 55½p, firmed 3½ apiece following Press comment, while Norcros added 2 to 102p for a similar reason. Hanson Trust finished a couple of pence harder at 161p following the satisfactory interim figures, while Morgan Crucible hardened 2 to 117p in front of tomorrow's first-quarter results. Buying on defence considerations left AGB Research up another 10 at 290p, Hunting Associated similarly 10 dearer at 290p and Smiths Industries 7 better at 360p. Rotaprint revived with a rise of 3 at 14p but Triefus, on the other hand, fell 3½ to a 1982 low of 45½p following the poor annual results.

Motor and Aircraft component manufacturers displayed no set trend. Dowty, 136p, and Lucas, 193p, gave up 4 and 3 respectively, but Flight Refuelling, helped by the chairman's statement at the annual meeting, closed 8 higher at 295p. Distributors featured Adams and Gibbon which responded to continuing bid hopes by advancing 10 to 116p.

Proceedings in Paper/Printings were enlivened by a batch of company trading statements. McCorquodale featured with a gain of 15 to 180p following increased interim profits and dividend. Brunning touched 103p before reverting to Friday's closing level of 100p following the return to profitability, but Transparent Paper eased a couple of pence to 24p after declaiming a full-year loss and final dividend omission. A buoyant market last Friday on its return from suspension, Saatchi and Saatchi continued to attract strong support and rose 20 more *to 455p; the new nil-paid closed* 15 higher at 120p premium.

MEPC's interim results were deemed a little disappointing and the shares were marked down a couple of pence to 194p. Other leading Properties were barely tested and closed virtually unchanged. Occasional movements elsewhere, included Churchbury Estates, up 10 at a 1982 peak of 595p. Among smaller-priced issues, A. and J. Mucklow, 86p, and McKay Securities, 125p, firmed 2 apiece. On the other hand, London Shop Property gave up 2 at 118p, as did Greycoat Estates, to 128p.

Oils easier

Occasional offerings and lack of support made for dullness in Oils. British Petroleum shed 4 to 316p awaiting tomorrow's first-quarter results, while Shell softened a couple of pence to 428p. Lasmo gave up 14 to 340p *and Burmah lost 4 to 143p.* Onshore explorers went against the trend, Candecca firming 2 to 232p and Carless Capel a penny to 180p. Elsewhere, Clyde Petroleum touched 118 on revived bid hopes before drifting off to close just 5 up on balance at 110p. Aran Energy met fresh speculative support and closed a penny dearer at 23p, after 24p.

Dealings in Mercantile House were suspended at 420p pending the injection of new capital to finance the £91m acquisition of U.S. stockbrokers Oppenheimer. Other money brokers were irregular. R. P. Martin were wanted at 335p, up 15, but Exco, 208p, and Mills and Allen, 490p, both eased around 5.

Subdued in recent months, Plantations were enlivened by Harrisons Malaysian Estates which advanced 25 to 165p in an active business following the agreed deal between parent company Harrisons and Crosfield and Permodalan Nasional. Harrisons and Crosfield, which holds 81 per cent of the HME equity, touched 650p before settling with a net gain of 67 at 637p.

Golds under pressure

Renewed weakness in the bullion price — finally $5.875 lower at $318.125 an ounce — unsettled South African Golds which fell away throughout the day in the wake of sizeable Continental selling pressure. Consequently closing levels were easily the day's lowest and the Gold Mines index registered a 5.3 fall to 229.4.

Stilfontein lost 5 to 595p, but West Rand Consolidated held steady at 95p ahead of the dividend declarations expected on Thursday.

Financials were generally lower, depressed by the losses in precious and base-metal prices. Among South Africans Anglo American Corporation fell 10 to equal the year's low of 440p in front of the full-year results and news that Mr Harry Oppenheimer is retiring from the Anglo board at the end of the year.

In London Financials Rio Tinto-Zinc gave up 5 to 428p reflecting the sharp decline in copper prices which fell to 16-month lows on the London Metal Exchange and the price cuts by two leading North American producers.

Australian Oil and Gas stocks attracted attention following news that National Mutual is bidding for Basin Oil and Reef Oil and that Bond Corporation has sold its interests in both companies thereby withdrawing the previous takeover proposals.

Basin advanced 13 to 116p while Reef held steady at 87p. Bond also announced that a statement will be made today regarding another asset disposal; market rumours suggested the possible sale of the near 15 per cent holding in Santos, shares of which edged up 2 to 328p. Bond Corporation rose 5 to 85p.

In Tins Renong were suspended pending a statement from the company; prior to suspension Renong were changing hands at 375p. Pengkalen moved up 15 to 335p on news of a 350p a share bid from the Tan Family interests.

The quiet conditions prevailing in the *London equity market* were fully reflected in Traded Options where only 1,097 deals were taken out; last week's daily average was 1,237. Grand Metropolitan attracted a useful two-way business and recorded 165 calls and 124 puts, while Imperial were in demand on the call front with 203 trades done.

FINANCIAL TIMES STOCK INDICES

	June 1	May 28	May 27	May 26	May 25	May 24	A year ago
Government Secs	69.74	69.20	69.01	68.85	68.80	68.79	67.27
Fixed Interest	70.06	69.70	69.56	69.53	69.53	69.61	68.74
Industrial Ord.	587.3	587.3	584.3	580.8	580.8	575.8	547.0
Gold Mines	229.4	234.7	230.3	235.7	231.6	235.2	355.8
Ord. Div. Yield	5.37	5.35	5.40	5.38	5.40	5.43	6.00
Earnings, Yld.%(full)	11.23	11.18	11.14	11.15	11.17	11.26	11.55
P/E Ratio (net) (*)	10.82	10.84	10.93	10.94	10.91	10.83	10.84
Total bargains	15,760	15,225	14,094	13,960	14,954	14,990	19,407
Equity turnover £m.	—	142.67	109.25	96.39	124.40	111.51	145.00
Equity bargains	—	11,775	10,431	11,165	12,060	11,330	15,427

10 am 589.8. 11 am 590.9. Noon 588.4. 1 pm 588.0.
2 pm 588.2. 3 pm 587.8.

Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974. †Corrected.

Latest Index 01-246 8026.

*Nil=10.02.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	69.74 (1/6)	61.89 (5/1)	127.4 (9/1/55)	49.18 (6/1/75)
Fixed Int.	70.06 (1/6)	62.79 (7/1)	150.4 (28/11/47)	50.53 (6/1/75)
Ind. Ord.	590.9 (12/5)	518.1 (5/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	302.0 (6/1)	209.2 (8/5)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	May 28	May 27
—Daily		
Gilt Edged Bargains	172.8	148.2
Equities Bargains	76.3	67.6
Value	266.4	280.8
5-day Avrge.		
Gilt-Edged Bargains	164.1	156.2
Equities Bargains	73.5	70.7
Value	236.20	215.3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	85	—	7
Corpns. Dom. & Foreign Bonds	44	3	30
Industrials	304	168	873
Financial & Props.	88	66	357
Oils	34	27	46
Plantations	3	4	16
Mines	10	80	69
Others	49	49	51
Totals	617	397	1,449

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or —	Div. p. or amount	Times Covered	Gross Yield	P.E. Ratio
¶250	F.P.	25/6	278	266	Assoc. Heat Services	278	+1	b9.0	2.1	4.6	14.1
§90	F.P.	—	101	92	※Black (Michael) 20p	101	.....	u3.0	2.4	4.2	14.0
15	F.P.	15/4	32	19	Cambrian & Gen. 7½p	29	.....	—	—	—	—
§260	F.P.	4/6	395	293	※Cont. Microwave	395	+25	b5.25	3.9	1.9	14.5
§130	F.P.	28/5	154	140	※Druck Hldgs.	154	.....	b2.3	2.5	2.1	6.7
§87½p	F.P.	25/6	98	88	El'tro-Pr'toCpUS$0.58	89	—1	uQ1.5c	8.9	0.9	12.0
—	—	—	17	10	ΔGr'p Inv Option Crts	14	—1	—	—	—	—
§250	F.P.	14/3	250	245	※Io Technology	247	.....	—	—	—	—
‖	F.P.	—	275	260	※Jebsens Drilling	260	.....	b17.5	2.3	9.6	6.5
§105	F.P.	—	121	110	※Miles 33 10p	121	+1	ud2.0	4.3	2.4	19.5
140	F.P.	—	166	160	※Ruddle (G.) 10p	164	.....	b3.3	2.6	2.9	19.4
136	F.P.	13/5	141	133	Standard Secs.	133	.....	b2.8	1.2	3.0	39.9
¶¶	F.P.	—	29	19	Stewart Nairn	24	+1	—	—	—	—
¶¶	F.P.	—	90	60	Zambia Cons Cpr 10K	60	.....	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or —
¶100	£10	—	10½	10½	Bournemouth Water 9% Red. Prf. '87 89	10½	.....
§99.385	£25	14/7	25	21½	Cred. Foncier de France 14¾% Lon. 2007	24⅛	+⅛
¶100	F.P.	1/7	102¼	101¼	East Anglia Water 9% Red. Prf. 1987	101¼	.....
¶¶	F.P.	—	146½	136	First Nat. 12½pc Conv. Uns. Ln. 1987	149	.....
¶100	F.P.	—	47	38	Grt. N'rth'n Inv. 4pc Net Cum. Prf. £1	39	.....
¶100	F.P.	—	46	45	Do. 4.7pc Net Cum. Prf. £1	46	.....
‖100	Nil	—	1pm	½pm	Marlborough Props. 10% Cnv. Ln. '98-2002	½pm	—½
¶100	£10	—	11	11	Mid-Southern Wtr. 9% Pref. 1987	11	.....
§100	F.P.	—	100⅞	100 1/16	Nationwide Bdg. Soc. 14¼% (25/4/83)	100⅛	—⅛
§100	F.P.	—	100	99⅞	Do. 13⅞% (23/5/83)	99 15/16	—⅛
¶107	F.P.	29/4	113½	109½	Queens Moat 10½% Cnv. '89-91	113	+1
¶100	£10	—	10½	10½	Wrexham Water 9% Red. Prf. '87-89	10½	.....

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ▪	1982 High	1982 Low	Stock	Closing price p	+ or —
10	F.P.	27/4	28/5	13¾	10	Ansbacher (H.) 5p	10	.....
170	F.P.	13/5	24/6	190	180	Bank Leumi (UK) £1	185	.....
135	F.P.	28/5	9/7	179	156	Carless Capel 10p	178	+2
174	Nil	—	—	49pm	44pm	Grand Met 50p	45pm	.....
5	F.P.	10/5	21/6	6	5	Grovebell (5p)	5	.....
500	F.P.	20/5	18/6	610	575	Hammerson Prop.	610	+5
500	F.P.	29.5	18.6	575	530	Do. A	575	.....
120	F.P.	7/5	4/6	187	144	Lilley (F.J.C.)	185	+3
145	F.P.	13/5	7/6	188	176	Low (Wm.) 20p	184	+4
18	Nil	21/5	4/6	14pm	½pm	North Kalguri	½pm	.....
98	F.P.	16/4	4/6	107	99	Riley Leisure	102	—2
325	Nil	—	—	120pm	80pm	Saatchi & Saatchi 10p	120 pm	—15
170	F.P.	14/6	11/6	284	272	Steel Bros.	242	.....
10	F.P.	24/3	23/4	12⅛	10½	Sturla 10p	11⅛	.....
133	F.P.	10/5	10/6	162	146	Vickers (£1)	162	.....
25	Nil	—	—	½pm	½pm	Young (H.)	½pm	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *t* Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." **Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ▪ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ※ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). Δ Issued free as an entitlement to ordinary holders.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Anglo American Corp.	440	—10	Grand Met. "New"	45pm	—
Associated Dairies	130	— 4	Harrisons & Crosfield	637	+62
Bond Corp.	85	+ 5	Harrisons Mlyan. Ests.	165	+25
De La Rue	580	+22	London & Liverpool Tst	59	+ 6
Ferranti	780	+ 5	Minet Holdings	184	— 6
GEC	940	—10	Plessey	453	—10

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
Saatchi S New	21	105pm	—	Racal Elec.	12	440	+20
GEC	20	950	+25	RTZ	11	433	—
Plessey	16	463	+13	Amersham	10	225	+ 5
BICC	13	352	+14	Fisons	10	330	+ 7
Exco	13	212	+ 9	Gus "A"	10	500	+ 7
Glaxo	13	683	+ 8	Lex Service	10	129	+ 7
Ferranti	12	775	+35	Trafalgar House	10	125½	—

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues June 1 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri May 28 Index No.	Thur May 27 Index No.	Wed May 26 Index No.	Tues May 25 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	399.69	—0.1	9.13	4.09	13.50	399.99	393.35	389.08	388.09	344.45
2	Building Materials (23)	344.96	+1.3	12.72	5.19	9.28	340.47	338.55	336.83	335.78	302.08
3	Contracting, Construction (28)	625.82	+0.9	13.79	4.88	8.55	620.30	615.64	612.17	613.76	572.34
4	Electricals (31)	1471.94	—0.8	6.41	2.03	19.99	1484.19	1441.71	1420.96	1409.84	1074.85
5	Engineering Contractors (11)	492.65	+1.1	13.50	6.15	8.74	487.37	484.12	476.89	479.71	486.03
6	Mechanical Engineering (67)	208.19	+0.2	11.03	5.61	10.93	207.87	206.93	204.33	204.84	212.15
8	Metals and Metal Forming (11)	171.89	+0.1	9.92	6.91	12.66	171.73	169.65	166.31	167.01	163.69
9	Motors (20)	95.09	—0.3	1.51	7.41	—	95.39	94.37	93.33	94.15	105.76
10	Other Industrial Materials (18)	369.24	—0.1	9.93	5.74	12.32	369.51	365.22	365.41	365.61	366.45
21	CONSUMER GROUP (201)	313.70	+0.3	12.60	5.50	9.61	312.63	310.08	307.40	308.13	279.12
22	Brewers and Distillers (21)	325.54	+1.3	14.04	6.18	8.68	321.43	316.52	311.07	308.67	309.37
25	Food Manufacturing (22)	269.77	+0.4	17.21	6.94	6.78	268.77	267.74	265.20	267.76	250.61
26	Food Retailing (14)	613.18	—0.4	9.26	3.47	13.30	615.58	618.33	605.68	601.89	517.96
27	Health and Household Products (8)	471.46	+0.5	7.33	3.43	15.84	468.91	464.53	461.80	464.27	307.92
29	Leisure (24)	443.22	+0.3	10.29	5.12	12.11	441.88	439.19	439.36	440.57	429.35
32	Newspapers, Publishing (12)	535.48	+1.2	12.59	5.85	10.15	529.20	525.13	523.91	523.97	513.28
33	Packaging and Paper (14)	151.79	+1.5	15.18	7.01	7.66	149.56	148.95	147.92	148.03	147.87
34	Stores (45)	287.01	+0.1	10.36	4.85	12.76	286.77	283.86	281.50	282.43	273.65
35	Textiles (23)	175.46	+1.1	12.85	6.05	9.61	173.56	173.89	174.26	173.84	158.94
36	Tobaccos (3)	333.20	—1.3	21.94	8.25	5.14	337.42	336.50	332.84	336.18	257.10
39	Other Consumer (15)	287.73	+0.2	0.20	5.23	—	287.20	285.82	285.27	284.34	302.30
41	OTHER GROUPS (77)	262.12	+0.4	13.35	6.14	9.02	261.10	257.80	257.85	257.34	230.38
42	Chemicals (16)	344.66	+0.5	13.33	6.75	8.93	342.86	339.61	339.90	339.62	287.81
44	Office Equipment (4)	115.06	+0.1	14.14	7.59	8.69	114.98	112.46	111.82	112.65	112.75
45	Shipping and Transport (13)	571.31	+0.1	19.70	7.21	6.14	570.88	564.87	565.37	572.25	561.18
46	Miscellaneous (44)	340.57	+0.4	11.46	5.00	10.57	339.24	334.12	331.70	331.37	299.69
49	INDUSTRIAL GROUP (487)	335.90	+0.2	11.39	5.85	10.68	335.26	331.25	328.36	328.48	294.79
51	Oils (13)	751.86	—0.9	21.05	7.73	5.39	758.70	754.67	753.58	757.26	799.16
59	500 SHARE INDEX	369.76	—	12.95	5.49	9.21	369.71	365.70	362.94	363.35	335.12
61	FINANCIAL GROUP (117)	247.79	—	—	6.70	—	247.79	246.05	244.68	245.94	249.08
62	Banks (6)	271.30	+0.9	38.58	7.93	2.84	268.82	265.30	264.60	267.32	247.47
63	Discount Houses (9)	236.38	+0.6	—	9.65	—	234.95	234.41	234.63	233.06	282.87
65	Insurance (Life) (9)	263.54	—	—	6.94	—	263.52	258.88	256.05	256.81	250.12
66	Insurance (Composite) (10)	152.24	—1.0	—	9.30	—	153.71	151.90	150.52	151.28	157.78
67	Insurance Brokers (7)	488.42	—0.7	11.33	5.31	11.97	491.92	489.62	486.68	492.83	368.16
68	Merchant Banks (12)	144.95	+1.1	—	5.85	—	143.33	144.66	144.60	145.86	163.60
69	Property (49)	420.34	—	5.28	3.76	25.10	420.51	422.51	419.98	420.87	476.84
70	Other Financial (15)	174.60	—0.6	17.81	6.56	6.49	175.74	173.78	174.06	175.47	168.62
71	Investment Trusts (111)	305.44	+0.5	—	5.38	—	303.82	302.39	300.80	301.37	302.83
81	Mining Finance (4)	201.45	—1.0	15.50	7.08	8.08	203.58	203.32	200.85	203.55	257.13
91	Overseas Traders (18)	374.97	+3.0	13.74	8.43	8.91	364.06	363.44	360.95	363.06	473.22
99	ALL-SHARE INDEX (750)	337.66	+0.1	—	5.75	—	337.46	334.23	331.83	332.54	317.31

FIXED INTEREST

	PRICE INDICES	Tues June 1	Day's change %	Fri May 28	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	112.40	+0.34	112.32	0.31	4.92
2	5-15 years	113.30	+0.71	112.50	—	4.49
3	Over 15 years	116.94	+1.08	115.69	—	5.22
4	Irredeemables	120.59	+0.84	119.81	0.23	6.30
5	All Stocks	113.89	+0.71	113.19	0.10	4.85
6	Debentures & Loans	88.68	+0.47	88.26	—	4.81
7	Preference	64.86	+0.10	64.79	—	3.13

	AVERAGE GROSS REDEMPTION YIELDS		Tues June 1	Fri May 28	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.29	11.42	11.86
2		15 years	12.55	12.67	12.53
3		25 years	12.57	12.69	12.60
4	Medium Coupons	5 years	13.66	13.79	13.74
5		15 years	13.59	13.74	14.17
6		25 years	13.05	13.22	13.81
7	High Coupons	5 years	13.57	13.74	13.73
8		15 years	13.78	13.91	14.38
9		25 years	13.13	13.31	14.03
10	Irredeemables†		12.18	12.28	11.96
11	Debs & Loans	5 years	14.48	14.67	14.98
12		15 years	14.57	14.63	14.98
13		25 years	14.57	14.68	14.98
14	Preference†		15.28	15.25	15.29

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982.

NEW HIGHS (158)

BRITISH FUNDS (51)
INT. BK. & O'SEAS GOVT. STLG. ISS. (9)
LOANS (8)
FOREIGN BONDS (3)
BANKS (1)
BEERS (11)
BUILDINGS (6)
CHEMICALS (2)
DRAPERY & STORES (6)
ELECTRICALS (8)
ENGINEERING (3)
FOODS (2)
INDUSTRIALS (21)
LEISURE (1)
MOTORS (3)
NEWSPAPERS (1)
PAPER (6)
PROPERTY (1)
SHIPPING (1)
SHOES (1)
TEXTILES (2)
TRUSTS (4)
OIL & GAS (5)

NEW LOWS (33)

AMERICANS (6)
Amax — Chase Manhattan
Amer. Nat. Res. — Crown Zellerbach
Caterpillar — Rep. N.Y. Corp.
CANADIANS (1)
Trans. Can. Pipe
BANKS (1)
Kleinwort Benson
STORES (2)
Bentalls — Sonic Sound
ELECTRICALS (2)
Mitel Corp. — Piezo
ENGINEERING (3)
Brotherhood (P.) — R.H.P.
Laird Group
FOODS (2)
Chambers & Fargus — R.H.M.
INDUSTRIALS (3)
Bogod-Pelepah A — Triefus
Burco Dean
MOTORS (2)
Herman Smith — Appleyard
PROPERTY (2)
Clarke Nickolls — Greycoat Ests.
TRUSTS (3)
Dualvest Inc. — Hampton Trust
English Assoc.
OVERSEAS TRADERS (1)
Assam Trading
TEAS (1)
McLeod Russel
MINES (4)
Middle Wits. — Kitchener
Endeavour — Western Coml.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 24	June 11	Sept 2	Sept 13
June 14	June 25	Sept 16	Sept 27
June 28	July 9	Sept 30	Oct 11

For rate indications see end of Share Information Service

Call options were struck in Premier Oil, Chloride, Otter Exploration, Pennine Commercial, Ferranti, Daejan, George Wimpey, ICL, Trafalgar House, Britannia Arrow, Stewart Nairn, Valor, Brown Boveri Kent, Tilbury and Lesney. A put was done in Sonic Sound, while double options were arranged in Cambridge Electronics, UDS, ICI and Tilbury.

CURRENCIES and MONEY

$ and £ firm

Dollar was very firm yesterday as speculation mounted about a possible devaluation of the French franc. The French currency's future membership of the EMS was also brought into question, leading to a nervous reaction by all EMS members against the dollar.

Sterling also tended to benefit from this move out of Continental currencies.

DOLLAR — Trade-weighted index (Bank of England) 115.4 against 114.6 on Friday, and 105.7 six months ago. Three-month Treasury bills 11.72 per cent (10.72 per cent six months ago). Annual inflation rate 6.6 per cent (6.8 per cent previous month) — The dollar rose to DM 2.3775 from DM 34.90 against the D-mark; to FFr 6.1750 from FFr 6.1275 against the French franc; to SwFr 2.0225 from SwFr 2.0010 in terms of the Swiss franc; and to Y244 from Y243.25 against the Japanese yen.

STERLING — Trade-weighted index 90.5 against 90.2 at noon, and in the morning, 90.1 at Friday's close, and 91.8 six months ago. Three-month inter-bank 13 1/16 per cent (15 5/16 per cent six months ago). Annual inflation 9.4 per cent (10.4 per cent previous month) — The pound opened at $1.7970-1.7980, and touched a peak of $1.7880-1.7890 during early trading. In the afternoon it fell to a low of $1.7810-1.7820, and closed at $1.7870-1.7880, a fall of 30 points on the day. Sterling rose to DM 4.2350 from DM 4.2075; to FFr 10.99 from FFr 10.9650; to SwFr 3.6050 from SwFr 3.5850; but eased to Y435 from Y436.

D-MARK — EMS member (strongest). Trade-weighted index 124.1 against 125.1 on Friday, and 122.4 six months ago. Three-month interbank 9.125 per cent (10.70 per cent six months ago). Annual inflation 5.0 per cent (5.2 per cent previous month)—The D-mark lost ground to the dollar in nervous Frankfurt trading, following speculation that the French franc may be forced out of the EMS. Sales of francs to buy dollars put pressure on the value of the D-mark against the U.S. unit, and prompted intervention by the Bundesbank. In the first official intervention since March 31, the German central bank sold $40.15m at the fixing, and was also active on the open market. Action by the German and French central banks pushed the franc up to DM 38.42 per 100 francs from DM 38.3850 at the fixing, despite the earlier weakness of the French currency. The Swiss franc fell to DM 1.1731 from DM 1.1762, but most other European currencies, including sterling, were firmer.

FRENCH FRANC—EMS member (central position). Trade weighted index 79.4 against 79.7 on Friday, and 81.3 six months ago. Three-month interbank 16¼ per cent (15 5/16 per cent six months ago). Annual inflation 13.9 per cent (14.1 per cent previous month)—Rumours of a possible devaluation of the French franc, and reports that the currency may be taken out of the European Monetary System, brought about heavy selling pressure in Paris. The Bank of France and the German Bundesbank were forced to intervene on a significant scale to prevent the franc falling to its maximum permitted divergence limit against the D-mark. Euro-franc interest rates also rose very sharply in a move to defend the French currency.

JAPANESE YEN — Trade-weighted index 135.4 against 135.1 on Friday, and 146.0 six months ago. Three-month bills 7.21875 per cent (7.28125 per cent six months ago). Annual inflation 2.8 per cent (unchanged from previous month)—The yen improved against the dollar in Tokyo, with the U.S. currency falling to Y241.40 from Y243.70. It opened at Y243.90, and touched a peak of Y244.35, but weakened on intervention by the Bank of Japan, falling to a low of Y241.00.

THE POUND SPOT AND FORWARD

June 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7810-1.7990	1.7870-1.7880	0.18-0.28c dis	−1.54	0.58-0.68dis	−1.41
Canada	2.2240-2.2370	2.2305-2.2315	0.67-0.77c dis	−3.87	1.78-1.80dis	−3.14
Nethlnd.	4.66½-4.71	4.68¾-4.69¾	2¼-1⅛c pm	4.78	5½-4⅞ pm	4.37
Belgium	79.40-80.10	79.80-79.90	18-28c dis	−3.46	60-70 dis	−3.26
Denmark	14.30-14.42	14.36-14.37	5-5⅞ore dis	−4.54	14¼-15⅞dis	−4.16
Ireland	1.2200-1.2250	1.2220-1.2230	0.64-0.76p dis	−6.87	1.94-2.11dis	−6.62
W. Ger.	4.21-4.25	4.23-4.24	1⅞-1½pf pm	4.60	4⅞-4½ pm	4.37
Portugal	127.75-129.00	128.15-128.65	100-375c dis	−22.20	305-965dis	−20.03
Spain	187.60-188.80	187.65-187.85	50-75c dis	−3.39	210-245 dis	−4.85
Italy	2,335-2,344	2,337-2,339	23-27 lire dis	−12.83	63½-67½dis	−11.21
Norway	10.80-10.86	10.81-10.82	3¼-4½ore dis	−4.23	7½-8⅞ dis	−3.03
France	10.98-11.04	10.98½-10.99½	20-24c dis	−24.02	39½-43½dis	−15.10
Sweden	10.48-10.54	10.49-10.50	½ore pm-½ dis	−0.38	par-1 dis	−0.19
Japan	433-438	434½-435½	2.50-2.30y pm	6.62	5.60-6.30 pm	5.88
Austria	29.62-29.92	29.72-29.77	16-12gro pm	5.65	36-26 pm	4.17
Switz.	3.57½-3.61½	3.60-3.61	3¼-2¾c pm	9.98	7⅞-7½ pm	2.46

Belgian rate is for convertible francs. Financial franc 86.70-86.80. Six-month forward dollar 1.27-1.37c dis, 12-month 2.10-2.30c dis.

THE DOLLAR SPOT AND FORWARD

June 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7810-1.7990	1.7870-1.7880	0.18-0.28c dis	−1.54	0.58-0.68dis	−1.41
Ireland†	1.4580-1.4700	1.4600-1.4620	0.70-0.60c pm	5.31	1.95-1.80 pm	5.11
Canada	1.2430-1.2495	1.2490-1.2495	0.23-0.26c dis	−2.38	0.51-0.55dis	−1.70
Nethlnd.	2.5985-2.6370	2.6330-2.6370	1.40-1.30c pm	6.16	3.77-3.67 pm	5.66
Belgium	44.15-44.87	44.85-44.87	5-8c dis	−1.74	19-23 dis	−1.87
Denmark	8.0160-8.0760	8.0710-8.0760	2¾-3ore dis	−4.28	6½-6¾ dis	−3.23
W. Ger.	2.3430-2.3780	2.3770-2.3780	1.27-1.22pf pm	6.28	3.45-3.40 pm	5.76
Portugal	71.25-72.25	72.00-72.20	50-200c dis	−20.80	150-525dis	−18.72
Spain	105.00-105.45	105.35-105.45	22-28c dis	−2.84	85-95 dis	−3.41
Italy	1,304-1,313	1,312-1,313	11-13 lire dis	−10.98	31-33 dis	−3.76
Norway	6.0410-6.0800	6.0770-6.0800	0.90-1.30ore dis	−2.17	1.80-2.20dis	−1.32
France	6.1225-6.1850	6.1725-6.1775	10¾-11¾c dis	−21.87	21¼-23¼dis	−14.58
Sweden	5.8610-5.8970	5.8950-5.8970	0.50-0.30ore pm	0.81	1.60-1.40 pm	1.02
Japan	242.20-244.25	243.90-244.10	1.67-1.59y pm	8.02	4.48-4.38 pm	7.25
Austria	16.50-16.71	16.68½-16.69½	10-8¼gro pm	6.74	25-22 pm	5.63
Switz.	1.9925-2.0250	2.0220-2.0230	2.02-1.94c pm	11.75	5.02-4.84 pm	9.76

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 1	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.5	−32.9
U.S. dollar	115.4	+8.3
Canadian dollar	86.7	−19.5
Austrian schilling	117.5	+26.5
Belgian franc	95.4	−1.5
Danish kronar	84.0	−12.9
Deutsche mark	124.1	+47.2
Swiss franc	145.4	+94.9
Guilder	114.9	+21.8
French franc	79.4	−14.6
Lira	54.2	−58.2
Yen	135.4	+29.6

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 1	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.627781	0.565557
U.S. $	12	1.12040	1.00980
Canadian $	15.43	—*	1.25672
Austria Sch.	6½	18.6401	16.7476
Belgian F.	14	50.2401	45.1483
Danish Kr.	11	8.99121	8.11881
D mark	7½	n.a.	2.38939
Guilder	8	2.94665	2.65124
French Fr.	9½	6.92127	6.22038
Lira	19	1466.84	1323.60
Yen	5½	272.481	246.392
Norwgn. Kr.	9	6.77842	6.12041
Spanish Pts.	8	118.187	106.150
Swedish Kr.	10	6.57115	5.94723
Swiss Fr	5½	2.26433	2.05849
Greek Dr'ch.	20½	n.a	94.6430

*C$/SDR rate for May 26: 1.40007

OTHER CURRENCIES

June 1	£	$		£ Note Rates
Argentino Peso	26,005-26,026†	14,550-14,600†	Austria	29.65-29.95
Australia Dollar	1.7055-1.7075	0.9555-0.9560	Belgium	86.50-87.50
Brazil Cruzeiro	291.80-292.80	163.35-164.17	Denmark	14.31-14.45
Finland Markka	8.170-8.182	4.5660-4.5710	France	10.96-11.06
Greek Drachma	115.082-116.504	63.90-64.10	Germany	4.21½-4.25½
Hong Kong Dollar	10.31½-10.33	5.7730-5.7830	Italy	2300-2340
Iran Rial	146.70*	81.70*	Japan	436-441
Kuwait Dinar (KD)	0.51130-0.51280	0.2863-0.2865	Netherlands	4.67-4.71
Luxembourg Fr.	79.80-79.90	44.85-44.87	Norway	10.77-10.87
Malaysia Dollar	4.11-4.12	2.3000-2.3050	Portugal	125½-140
New Zealand Dlr.	2.3445-2.3485	1.3130-1.3150	Spain	181-190
Saudi Arab. Riyal	6.1275-6.1365	3.4310-3.4320	Sweden	10.48-10.58
Singapore Dollar	3.76-3.77	2.1035-2.1065	Switzerland	3.59-3.63
Sth. African Rand	1.9340-1.9365	1.0820-1.0835	United States	1.77½-1.79½
U.A.E. Dirham	6.5530-6.5590	3.6710-3.6730	Yugoslavia	83½-102

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.1483	+1.01	+1.11	±1.5440
Danish Krone	8.18382	8.11881	−0.79	−0.69	±1.6428
German D-Mark	2.41815	2.38939	−1.19	−1.09	±1.1097
French Franc	6.19564	6.22038	+0.40	+0.50	±1.3743
Dutch Guilder	2.67296	2.65124	−0.81	−0.71	±1.5069
Irish Punt	0.686799	0.690693	+0.57	+0.67	±1.6689
Italian Lira	1305.13	1323.60	+1.42	+1.42	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 1	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.788	4.235	435.0	10.99	3.605	4.693	2338.	2.231	79.85
U.S. Dollar	0.559	1.	2.369	243.4	6.148	2.017	2.625	1308.	1.248	44.67
Deutschemark	0.236	0.422	1.	102.7	2.595	0.851	1.108	552.1	0.527	18.85
Japanese Yen 1,000	2.299	4.109	9.736	1000.	25.26	8.287	10.79	5375.	5.129	183.6
French Frank 10	0.910	1.626	3.854	395.8	10.	3.280	4.270	2127.	2.030	72.66
Swiss Franc	0.277	0.496	1.175	120.7	3.049	1.	1.302	648.5	0.619	22.15
Dutch Guilder	0.213	0.381	0.903	92.70	2.342	0.768	1.	498.2	0.475	17.02
Italian Lira 1,000	0.428	0.765	1.811	186.1	4.701	1.542	2.007	1000.	0.954	34.15
Canadian Dollar	0.448	0.801	1.898	195.0	4.926	1.616	2.103	1048.	1.	35.79
Belgian Franc 100	1.252	2.239	5.304	544.8	13.76	4.515	5.877	2928.	2.794	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 1)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 3/8	offer 14 1/2	bid 14 7/16	offer 14 9/16

The fixing rates are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	13¼-13½	13⅞-14⅛	17-18	8⅛-8¼	1⅜-1⅝	8⅜-8½	22-27	18-21	14-16	14¼-14¾	6¾-7	—
7 day's notice	13¼-13½	14-14¼	17-18	8¼-8½	1½-2	8 7/16-8 11/16	29-34	25-26	14½-17	14½-14⅜	7-7⅛	16½-18
Month	13 5/16-13 7/16	14 3/16-14 5/16	16-16½	8½-8⅝	3⅜-3½	8 9/16-8 11/16	32-35	24-25⅜	15½-16¾	14⅞-15⅛	7-7⅛	18⅜-19⅞
Three months	13 5/16-13 7/16	14 5/16-14 7/16	15⅞-16⅛	8 9/16-8 11/16	4 3/16-4 5/16	8 9/16-8 11/16	28-29½	24-24⅝	16-17	14⅞-15⅛	7⅛-7¼	19⅝-21⅛
Six months	13⅛-13¼	14⅜-14⅝	15⅞-16⅛	8⅝-8¾	4 11/16-5 1/16	8 9/16-8 11/16	24-25	23⅝-24⅜	15⅞-16⅞	14⅝-14⅞	7⅛-7¼	18½-20
One Year	13 1/16-13 3/16	14¼-14½	15¾-16	8 11/16-8 13/16	5 5/16-5 7/16	8½-8⅝	20½-21½	23½-24	15-16	14½-14¾	7 3/16-7 5/16	17⅜-18⅞

SDR linked deposits: one month 13¾-14⅛ per cent; three months 13½-13⅞ per cent; six months 13 9/16-13 15/16 per cent; one year 12⅞-13¼ per cent.

ECU linked deposits: one month 15 5/16-15 9/16 per cent; three months 14 11/16-15 1/16 per cent; six months 14¼-14½ per cent; one year 13⅛-13⅜ per cent.

Asian $ (closing rates in Singapore): one month 14 3/16-14 7/16 per cent; three months 14¼-14½ per cent; six months 14¼-14½ per cent; one year 14 5/16-14 7/16 per cent. Long-term Eurodollar two years 14⅝-14⅞ per cent; three years 14⅞-15⅛ per cent; four years 15-15¼ per cent; five years 15⅛-15⅜ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.00-14.10 per cent; three months 14.00-14.10 per cent; six months 14.10-14.20 per cent; one year 14.10-14.20 per cent.

MONEY MARKETS

London rates fall

UK clearing bank base lending rate 13 per cent (since March 12)

Interest rates declined as a mood of optimism swept across London's financial markets yesterday. In interbank trading three-month money fell to 13 5/16 per cent from 13 7/16 per cent on Friday.

Day-to-day credit was in short supply in the money market. This was estimated to be around £400m by the Bank of England in the morning, but the figure was revised to £350m at noon.

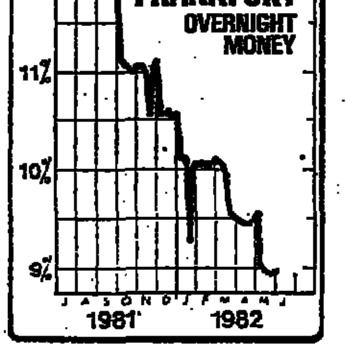
Major factors were: bills maturing in official hands, and a net market take-up of Treasury bills −£209m, plus Exchequer transactions −£220m. These outweighed a fall in the note circulation, which put about £160m back into the market.

In the morning the authorities gave assistance of £362m by buying £11m bank bills in band 1 (up to 14 days maturity) at 13¼ per cent; £289m bank bills in band 2 (15-33 days) at 13 per cent; and £62m bank bills in band 3 (34-63 days) at 12⅞ per cent.

In the afternoon the Bank of England bought a further £48m bank bills, making a total of £410m during the day. These were by way of £5m in band 3 at 12⅞ per cent, and £43m in band 4 (64-84 days) at 12¾ per cent.

In New York short-term interest rates had a firmer tone, despite intervention by the Federal Reserve Bank to add reserves to the banking system. Federal funds were trading at 13¾ per cent when the authorities added liquidity through $2bn of two day repurchase agreements. Trading was fairly quiet, but the firmer trend reflect indications that U.S. interest rates may have bottomed out in the near term.

In Frankfurt call money was quoted at 8.95-9.00 per cent in quiet trading. Any demand for funds was probably a reflection of a build-up of minimum reserves by banks at the beginning of the new month. With May's requirements all but complete call money fell to 8.5 per cent last Friday, as bank borrowing under the Lombard facility fell to DM 800m from DM 1.2bn on Thursday. Next Monday DM 8.3bn will be taken out of the market when a 28-day securities repurchase agreement with the Bundesbank expires.



MONEY RATES

NEW YORK

Prime rate	16-16½
Fed funds (lunch-time)	13¾-14
Treasury bills (13-week)	11.72
Treasury bills (26-week)	11.82

GERMANY

Lombard	9.0
Overnight rate	8.975
One month	9.10
Three months	9.125
Six months	8.925

FRANCE

Intervention rate	16.0
Overnight rate	16.25
One month	16.25
Three months	16.25
Six months	15.5

JAPAN

Discount rate	5.5
Call (unconditional)	7.03375
Bill discount (three-month)	7.21875

LONDON MONEY RATES

June 1 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	13-16	13⅝-13½	—	—	13⅝-13¾	12¾-13	—	—	—
2 days notice	—	—	13⅛-13¼	—	—	—	—	—	—	—
7 days or	—	—	—		—	—	—	—	—	—
7 days notice	—	13¼-13½	13¼	—	—	13⅝-13⅝	13	—	—	—
One month	13 5/16-13 3/16	13¼-13½	13 5/16	13⅞-13½	13⅜	13 1/16-13⅝	13	13 1/16	13 1/32	13¾
Two months	13⅜-13¼	13¼-13 7/16	—	13⅞-13½	13⅜	13⅝	12¾-12⅞	12⅞	12 11/16	13⅝
Three months	13 1/16-13 3/16	13¼-13⅜	13¼	13¾-13⅝	13⅜	13⅝	12⅝-12¾	12⅝	12 11/16	13½
Six months	13⅛-13	13¼-13⅜	13¼	12½-12⅛	13¼	—	—	—	12 9/32	13
Nine months	13⅛ 13	13¼-13⅜	—	13⅛-13	13¼	—	—	—	—	—
One year	13⅛ 13	13¼-13⅜	13¼	13¼-13	13⅜	—	—	—	—	—
Two years	—	—	13⅜	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13¾ per cent; four years 13⅞ per cent; five years 14 per cent. ΦBank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅞ per cent; four months trade bills 13¼ per cent.

Approximate selling rates for one month Treasury bills 12 15/16 per cent; two months 12¾ per cent; three months 12½ per cent. Approximate selling rate for one month bank bills 13 per cent; two months 12 25/32 per cent and three months 12 23/32 per cent; one month trade bills 13½ per cent; two months 13⅜ per cent; three months 13¼ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from June 1 1982. London and Scottish Clearing Bank Rates for lending 13 per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 10-10¼ per cent. Treasury Bills: Average tender rates of discount 12.6675 per cent.

Certificates of Tax Deposit (Series 5) 13¾ per cent from May 14. Deposits withdrawn for cash 11 per cent.

EUROCURRENCIES

Franc moves

Euro French franc interest rates rose sharply yesterday, as a result of rumours about possible French withdrawal from the European Monetary System. In a move to support the currency, and make speculation against the franc very expensive seven-day funds were driven up to 65-70 per cent at one time. Later in the day week-money retreated to 29-34 per cent, but was still much firmer than Friday's closing level of 25-30 per cent.

Eurocurrency rates of some of the other weaker members of the EMS, such as the Belgian franc and Italian lira, also had a firmer tone, but these currencies were not under the same pressure as the French unit.

Eurodollar rates were slightly firmer than on Friday, helping to support the dollar, which was already very firm against European currencies in general. Sterling improved slightly against the dollar in forward trading as Eurosterling rates showed little change, but the dollar advanced in the spot market.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Property Fund	227.5	239.5	+0.6	—
Equity Fund	53.2	56.0	+0.4	—
Property Acc.	266.5	280.6	+0.7	—
Equity Acc.	50.9	53.6	+0.4	—
Selective Fund	150.8	158.9	+0.8	—
Money Fund	166.2	175.0	+0.3	—
Convertible Fund	178.4	187.8	+0.4	—
Prop. Fd. Ser. 4	210.1	221.2	+0.6	—
Equity Ser. 4	56.7	59.7	+0.3	—
Man. Ser. 4	201.6	212.3	+1.2	—
Money Ser. 4	150.8	158.8	+0.3	—
Conv. Ser. 4	150.9	158.9	+0.3	—
Fixed Int. Fd. Ser. 4	117.8	124.1	+1.9	—
American Ser. 4	109.1	114.9	+0.9	—
High Inc. Ser. 4	118.3	124.6	+0.2	—
Indexed Inv. Series 4	96.8	104.9	+0.1	—
Pension Property	317.5	334.3	+1.1	—
Pension Equity	292.5	307.9	+1.9	—
Pension Selective	152.0	160.0	+0.8	—
Pension Managed	297.9	313.6	+2.0	—
Pension Security	221.1	232.8	+0.5	—
Pension Fixed Int.	114.0	120.0	+1.5	—
Pension Indexed Inv.	96.9	102.0	+0.1	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	328.1	345.3	+4.2	—
Fixed Int. Acc.	196.3	206.6	+1.6	—
Gtd. Money Fd. Ac.	155.7	163.9	+0.2	—
Intl. Man. Fd. Acm.	145.8	153.4	+0.8	—
Intl. Fxd. Int. Fd.	108.3	113.9		—
Prop. Fd. Acc.	158.9	167.2	+0.1	—
M'ple Inv. Acc.	254.2	267.6	+2.4	—
Equity Pen. Fd. Acc.	452.9	476.7	+7.1	—
Fixed I. Pen. Acc.	315.6	332.2	+3.7	—
G'td. Mon. Pen. Acc.	215.1	226.4	+0.4	—
Intl. Mn. Pn. Fd. Acc.	168.5	177.3	+0.8	—
Prop. Pen. Acc.	209.3	220.3	+0.1	—

Crown Life—Continued

St. George Mangd. Fd.	109.4	115.2	—	—
Lincs. & Gen. Fd.	119.8	126.1	—	—
Sage Fd.	89.0	93.6	—	—
Heritage Fd.	99.6	104.7	—	—
DSS Managed	104.4	109.8	—	—
Crown. Brit. Inv. A	217.2		—	—
Pens. Mixed. Fd.	149.5	153.6	—	—
Pens. Mang'd. Acc.	110.5	116.3	—	—
Pens. Mang'd. Init.	107.1	112.7	—	—
Pens. Equity Acc.	101.6	106.9	—	—
Pens. Equity Init.	98.4	103.6	—	—
Pens. Fxd. Int. Acc.	106.5	112.1	—	—
Pens. Fxd. Int. Init.	103.2	108.6	—	—
Pens. Money Acc.	106.9	113.6	—	—
Pens. Money Init.	104.6	110.1	—	—

Crusader Insurance PLC
Tower Hse., 38 Trinity Sq. EC3N 4DU 488 2323

Growth Prop May 4	100.1	110.1	—	—
Managed Pens May 12	116.8	122.9	—	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	79.3	82.2	+0.2	6.03

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	190.5	200.5	+0.9	—
Higher Inc. Fund	122.2	128.6	+0.3	—
Property Fund	191.4	201.4	+0.1	—
Fixed Interest Fund	141.6	149.0	+1.1	—
Index Linked Secs Fnd.	93.5	98.4	+0.2	—
Gtd. Deposit Fund	134.9	142.0	+0.2	—
Nth. America Fund	104.9	110.4	+0.4	—
Far East Fund	87.2	91.7	+1.0	—
International Fund	99.5	104.7	+0.7	—
Mixed Fund	167.7	176.5	+0.8	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

INSURANCE & OVERSEAS MANAGED FUNDS

OFFSHORE AND OVERSEAS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1982 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99⅞	96⅝	Treasury 8¼pc '82	99⅞xd	......	8.29	13.83
98¾	95⅜	Exch. 9¼pc 1982	98¾	......	9.37	13.12
98⅜	94⅛	Exch. 8¾pc 1983	98⅜xd	+⅛	8.89	11.69
94¼	91	Exch. 3pc 1983	94⅛	+¼	3.18	11.45
99½	95¾	Treasury 12pc 1983‡‡	99¼	+⅛	12.09	12.89
97⅝	92⅝	Treasury 9¼pc '83	97⅝	+¼	9.45	11.38
101¼	96⅝	Exch. 13½pc '83	101¾	+¼	13.27	12.11
97¼	91⅞	Exch. 10pc 1983	97¼xd	+¼	10.23	11.65
93¼	87⅜	Funding 5½pc '82-84‡‡	92½	......	5.95	10.62
98	91⅞	Exch. 11¼pc 1984	98	+⅛	11.48	12.52
102¼	96¼	Exchequer 14pc. 1984	102	+¼	13.73	12.81
88½	81⅛	Exch. 3pc 1984	88½xd	+¼	3.39	9.30
98¼	91½	Treasury 12pc 1984	98⅛	+⅛	12.23	12.89
104	96¼	Treasury 15pc 1985	104	+¼	14.42	13.15
97⅝	89½	Exch. 12pc Cnv. '85	97⅝	+¼	13.25	12.88
82⅜	73½	Treasury 3pc 1985	82⅜	+⅛	3.64	10.01
95¾	87½	Treasury 11½pc 1985	95¾	+½	12.01	13.20
97⅝	88⅜	Exch. 12¼pc 1985	97⅝	+⅜	12.55	13.09
95⅝	86⅛	Exch. 11¾pc '86	95⅝	+⅜	12.29	13.24
78¼	69	Treasury 3pc 1986	78¼	+½	3.83	9.75
96⅝	86¼	Treasury 12pc '85	96⅝xd	+⅜	12.45	13.19
89¼	80⅜	Treasury 8¼pc '84-86‡‡	89	+¼	9.55	11.96
101¾	91⅞	Exch. 14pc 1986	101¾	+⅜	13.76	13.45
103⅞	90	Exch. 13¼pc 1987	99⅜	+½	13.34	13.45
99⅜	84⅜	Do. A	99	+¼	13.38	13.52
82½	73⅝	Funding 6½pc '85-87‡‡	81	+1	8.02	11.68

Five to Fifteen Years

Over Fifteen Years

Undated

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LEISURE—Continued

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
45	33	Fairline Boats 10p	38	−2	d1.0	—	3.8	—
18	14½	GRA Group 5p	15	......	—	—	—	13.6
42	22	Glopp Pavilion 10p	25	......	—	—	—	—
48	32	Grampian TV A 10p	44	......	3.25	ϕ	10.6	ϕ
146	107	HTV Non/Vtg.	128	......	†10.0	2.7	11.2	4.7
218	139	Horizon	214xc	−2	b3.0	5.3	2.0	13.4
151	95	Intasun 10p	144	......	b2.8	5.7	2.8	7.6
31	22	Lancaster (D. M.) 5p	26	......	ϕ0.7	3.1	3.9	10.7
159	112	LWT "A"	135	......	†10.07	1.7	10.7	7.8
133	116	Leisure Inds. Grp.	118	......	b5.0	2.8	6.1	8.3
125	92	Magnet. Ag. N. 10p	94	......	8.75	1.5	13.7	6.7
67	58	Medminster 10p	59	......	3.7	2.4	9.1	6.3
238	140	Nimslo Int 20c	195	......	—	—	—	—
42	33	Norton & Wri. 10p	42	......	d1.0	—	3.4	—
74	65	Old Swan (H'gate) 10p	71	......	g0.8	1.6	1.6	63.2
28	14	Owners Abroad	26½	+¼	H0.35	ϕ	1.9	ϕ
62	52	Photax (Lon.)	60	......	3.5	3.8	8.3	3.8
280	91	Pleasurama 5p	275	−5	†h4.75	5.2	2.5	11.8
*121	84	Riley Leisure 10p	101½	−½	ϕ4.1	1.7	5.8	14.6
179	140	Saga Hols. 20p	150	−1	†h3.75	4.6	3.6	(9.6)
163	125	Samuelson 20p	155	......	d8.77	—	8.1	—
99	76	Scott. TV 'A' 10p	86	......	7.0	3.8	11.6	3.2
50	36	SelecTV 10p	39	......	—	—	—	—
28	13	TSW 5p	15½	......	H0.6	—	5.5	—
51	31	TVS N/Vtg 10p	50	......	—	—	—	—
100	62	Tridnt TV 'A' 10p	73	+1½	4.25	2.1	8.3	7.4
210	92	21st Century Dist. Gp.	190	......	—	—	—	—
27½	19	Webb (Jos.) 5p	19	......	bd0.51	2.5	3.8	11.7
93	69	Zetters 5p	79	......	2.75	3.1	5.0	9.2

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MINES—Continued

Central African

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
120	75	Falcon Rh.50c	90	......	Q25c	10.3	20.7
33	20	Wankie Col. Z$1	20	−2	Q3c	1.2	12.1
21	16	Zam.Cpr.SBD0.24	16	......	—	—	—

Australian

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
23	10	ACM 20c	17	......	—	—	—
7	2½	Argosy Gold NL 25c	3	......	—	—	—
151	62	Bond Corp.	85	+5	gQ10c	2.3	7.4
82	63	Bougainville I Kina	74	−2	Q6½c	1.2	5.4
192	154	CRA 50c	181	−3	Q5c	—	1.7
16	10	Carr Boyd 20c	14	......	—	—	—
56	22	Central Pacific	30	+1	—	—	—
26	10	Coltus Pacific N.L.	13	......	—	—	—
27	14	Eagle Corp. 10c	19	−1	—	—	—
23	12½	Endeavour 20c	12½	−½	—	—	—
368	160	G. M. Kalgoorlie 25c	205	−5	Q32½c	0.9	9.6
10	2½	Great Eastern	6	......	—	—	—
63	38	Greenbushes Tin 50c	43	......	Q6c	1.9	8.4
170	134	Hampton Areas 10p	152	−4	2.5	3.1	2.4
32	15	Haoma N.W.	15	......	—	—	—
22	9	Intl. Mining	13	−1	—	—	—
30	10	Jimberlana (50 FP)	12	......	—	—	—
6½	2¼	Kalbara Min 20c	4	......	—	—	—
100	48	Kitchener NL 25c	48	−4	—	—	—
14	9	Leichardt Expln.	13	......	—	—	—
190	92	Meekatharra 25c	152	......	—	—	—
44	16	Metals Ex. 50c	22	−2	Q3c	1.7	8.2
28	11	Metramar Mns. 20cts.	14	+1	—	—	—
10	4½	Mid East Mins. NL	6	......	—	—	—
202	145	M.I.M. Hldgs. 50c	176	−2	t05c	ϕ	1.7
57	10	Mincorp 20c	16½	......	—	—	—
8	3	Minefields Expl. 25c	3	......	—	—	—
18	14	Newmetal 20c	15	−2	—	—	—
30	8½	Nickelore N.L.	13½	......	—	—	—
160	110	North B. Hill 50c	112	−2	‡Q18c	1.0	‡
*84	15	Nth. Kalgurli	15	−1	—	—	—
123	67	Oakbridge 50c	83	......	†Q6½c	1.9	4.7
90	34	Otter N. L.	38	......	—	—	—
98	34	Pacific Copper	60	+1	—	—	—
150	92	Pancont'l 25c	102	......	—	—	—
62	40	Paringa M&Ex.5p	40	......	ϕ	—	—
352	252	Peko-Wallsend 50c	270	......	‡Q15c	—	‡
31½	16½	Pelsart Res NL	22	......	—	—	—
273	138	Renison 50c	155	......	Z05c	—	1.9
205	105	Do. Dfd.	135	......	—	—	—
56	34	Seltrust A	58	......	ϕ	—	—
27	10	Southern Pacific	12½	......	—	—	—
46	24	Swan Resources 20c	42	......	—	—	—
65	35	Vultan Mins 20c	40	−1	—	—	—
11	4	West Coast 25c	6	......	—	—	—
50	8	Westn. Cont 50c	8	−2	—	—	—
247	200	Westn. Mining 50c	207	−5	‡Q14c	1.6	‡
34	16	Whim Creek 20c	17	......	—	—	—
30	12	York Resources	14	......	—	—	—

Tins

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
11½	7	Amal Nigeria 1p	8½	......	—	—	—
255	200	Ayer Hitam $M1	200	......	‡Q135c	0.7	‡
140	90	Geevor	90	......	—	—	—
12	10	Gold & Base 12½p	11	......	—	—	—
630	410	Gopeng Cons.	410	......	17.0	1.2	5.9
525	330	Hongkong	420	−30	21.0	ϕ	7.1
155	155	Idris 10p	155#	......	ϕ‡9.0	0.8	‡
24	16	Jantar 12½p	19	−1	1.5	ϕ	12.2
130	80	Kamunting $M0.50	90	......	†Q27½c	0.8	7.3
426	366	Killinghall $M1	400	......	hQ60c	ϕ	3.6
98	60	Malaysia Mng. 10c	75	−2	Q25c	1.1	7.9
42	30	Pahang	32	−1	‡0.63	0.8	‡
450	280	Pengkalen 10p	335	+15	1.0	—	0.4
390	240	Petaling $M1	240	......	‡Q60c	ϕ	‡
200	155	Sungei Besi $M1	180	......	‡Q310c	1.1	‡
110	75	Supreme Corp. $M1	85	......	gQ15½c	ϕ	4.4
110	100	Tanjong 15p	102	......	3.5	3.7	4.9
85	70	Tongkah H. Tin $Sm	70	......	‡Q25%	1.3	‡
255	195	Tronoh $M1	205	−5	Q50c	ϕ	6.0

Copper

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
325	195	Messina R0.50	220	......	Q60c	5.2	15.1

Miscellaneous

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
40	20	Anglo-Dominion	25	+4	—	—	—
16½	13	Burma Mines 10p	13	......	0.55	1.0	6.0
130	35	Colby Res. Corp.	53	−2	—	—	—
292	210	Cons. Murch. 10c	220	......	Q60c	1.9	14.5
8	5	Explaura Gold	5	......	—	—	—
105	65	Highwood Res.	75	−5	—	—	—
255	165	Northgate C$1	209	......	—	—	—
468	412	R.T.Z.	423	−5	16.0	2.1	5.5
£108½	£93½	Do. 9½% Cv. Ln. '95-2000	£103½	−½	Q9½%	30.0	f9.5
20	12	Sabina Inds. C$1	12	−3	—	—	—
44	27	Southwest C. 10p	40	......	—	—	—
500	270	Tara Exptn. $1	335	+15	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- ϕ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	......
Bertrams	17#	......
Bdg'wtr. Est. 50p	410	......
Craig & Rose £1	£12¾	......
Finlay Pkg. 5p	28	......
Graig Ship. £1	£26	......
Higsons Brew	85	......
Holt (Jos) 25p	660	......
I.O.M. Stm. £1	120	......
Pearce (C. H.)	£18¾	......
Peel Hldgs.	145	......
Sheff. Refrshmt	72	......
Sindall (Wm.)	205	......

IRISH

Conv. 9% '80/82	£97¼	+⅛
Nat. 9¾% 84/89	£71⅛	......
Fin. 13% 97/02	£74¼	......
Alliance Gas	70	......
Arnott	195xd	−5
Carroll (P.J.)	74	−1
Concrete Prods.	75	+5
Helton (Hldgs.)	29	−1
Irish Ropes	35	......
Jacob	70	......
T.M.G.	6½	......
Unidare	46	......

OPTIONS

3-month Call Rates

Industrials

Allied-Lyons	8
BOC Intl.	25
B.S.R.	8½
Babcock	10
Barclays Bank	42
Beecham	21
Blue Circle	48
Boots	19
Bowaters	24
Brit. Aerospace	17
B.A.T.	30
Brown (J.)	7
Burton Ord.	15
Cadbury's	9
Courtaulds	8
Debenhams	7
Distillers	15
Dunlop	6½
Eagle Star	31
F.N.F.C.	4
Gen. Accident	28
Gen. Electric	65
Glaxo	42
Grand Met.	17
G.U.S. 'A'	45
Guardian	25
G.K.N.	15
Hawker Sidd	30
House of Fraser	15
I.C.I.	24
"Imps"	8
I.C.L.	5½
Ladbroke	15
Legal & Gen.	19
Lex Service	10
Lloyds Bank	42
"Lofs"	6½
London Brick	7
Lucas Inds.	20
"Mams"	12
Mrks. & Spncr	12
Midland Bank	30
N.E.I.	9
Nat. West. Bank	38
P & O Dfd.	14
Plessey	32
Racal Elect	35
R.H.M.	6½
Rank Org. Ord.	20
Reed Intnl.	26
Sears	6
Tesco	5½
Thorn EMI	42
Trust Houses	11
Tube Invest.	13
Turner & Newall	11
Unilever	55
Utd. Drapery	7
Vickers	16
Woolworths	5

Property

Brit. Land	7½
Cap. Counties	10
Land Secs.	28
MEPC	20
Peachey	14
Samuel Props.	11
Town & City	3½

Oils

Brit. Petroleum	26
Burmah Oil	10
Charterhall	6
KCA	14
Premier	6
Shell	30
Tricentrol	22
Ultramar	38

Mines

Charter Cons.	25
Cons. Gold	45
Lonrho	7
Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 35

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Wednesday June 2 1982

UK shares in final Nigerian rail orders

By Quentin Peel, Africa Editor

THE NIGERIAN Government has awarded the last three of six contracts for its \$2.5bn (£1.4bn) 300-mile standard-gauge railway, the largest railway project in Africa, to companies from Britain, Italy, France and Brazil.

Construction company officials confirmed yesterday that the Nigerian subsidiaries of Stirling International of Britain in a consortium with Impresit of Italy, France's Dragages et Travaux Publics, and Brazil's Paranapanema, have each won contracts valued at between \$350m and \$400m.

The Nigerian Government has been forced to press ahead with plans for the line, designed to link Port Harcourt in the South-East with the steel plant under construction at Ajaokuta on the Niger river, in spite of its recently-introduced austerity programme. This is intended to cut the country's soaring import bill by a third.

The line is essential to transport raw materials to and finished products from the Soviet-designed steel plant, due for completion in 1985.

French companies have proved most successful in the fierce competition for the six sectors, winning two of the contracts outright. Dragages will build sector three (Enugu to Utonkon) while Dumez has already been awarded sector two (Umuahia to Enugu).

British exporters' prospects have improved with the success of Stirling International in sector 6 (Ayangba to Ajaokuta). Company officials estimate that about half the offshore procurement content, some \$150m, will go to UK suppliers, with the rest to Italy and other European countries.

Sector 5 was won in the first batch of contracts by a Chinese-Swiss consortium including Elektrowatt and Noga, both of Switzerland, and the Chinese Civil Engineering Construction Corporation. Most of the financing and procurement for that contract will be British.

Although Paranapanema won the contract for sector 1 (Port Harcourt to Umuahia), Mendez Junior, also of Brazil, was unsuccessful in its bid for sector 4 (Utonkon to Makurdi). That contract was awarded to Partizanski of Yugoslavia.

Each of the contractors is responsible for arranging its own finance offshore, in line with Nigerian's policy of keeping a low profile on the international capital markets.

Nigeria oil output, Page 3

UK moneybroker buys Oppenheimer Holdings

BY JOHN MOORE, CITY CORRESPONDENT

MERCANTILE House, a leading UK moneybroker, has agreed to acquire Oppenheimer Holdings, the Wall Street stockbroker and one of the top 10 U.S. fund managers, in a deal worth £91m. This is believed to be the largest purchase of a U.S. stockbroker by foreign interests.

Once the deal is completed, Mercantile will acquire \$12bn (£6.7bn) of funds under management and a broking house with a net income before tax (excluding certain assets not in the transaction) of \$38m for the year ended January 1982.

Under the terms of the deal, Mercantile House will pay a total of £91m for Oppenheimer — £26m in new Mercantile shares and £65m in cash. Mercantile House will provide the cash element from a combination of an offer for sale of its shares, an agreed subscription for the shares by Globe Investment Trust, the largest investment trust in the UK, and from existing cash and borrowing facilities.

Because of the size of the deal, the directors of Mercantile House have asked the Stock Exchange to suspend dealings in the shares until relisting in August. The shares were suspended yesterday at 420p.

There were signs yesterday of institutional disquiet at the move. One institutional shareholder in Globe is concerned about the size of Globe's involvement in the deal. This is about £40m.

In its last financial year, ended April 30 1981, Mercantile House reported pre-tax profits of £7.1m, compared with £3.5m a year earlier. Since April 30 it has made a string of acquisitions, which have included Charles Fulton and Company, the troubled moneybroker.

Mr John Barkshire, chairman of Mercantile House, said in London yesterday that the deal was "a very important and exciting acquisition for us, and represents a major step forward by Mercantile House."

He said that, over the past 10 years, Mercantile had spread its activities globally in the money, securities and related markets. The group had aimed to reduce its reliance on any single aspect of its business, to spread its risks and improve the quality of its earnings.

"In our forward planning we had identified fund management and U.S. securities and brokerage business as our next areas of expansion. Oppenheimer fitted exactly."

In the U.S. Mr Stephen Robert, president and chief operating officer of Oppenheimer, said that attractions of the deal for his group were that it would be able to keep its existing management, its operations would grow because of international business, and there were similarities with the purchaser of management style.

Details Page 26

\$4bn bid for Cities Service may herald more U.S. oil takeovers

BY PAUL BETTS IN NEW YORK

MESA PETROLEUM, a relatively small Texan independent oil company, yesterday offered to buy Cities Service, the 20th largest U.S. oil company, for \$3.9bn (£2.2bn).

Cities Service has rejected Mesa's takeover attempt and yesterday launched its own tender offer for control of the smaller oil company to block it.

The bidding war between Mesa and Cities Service took Wall Street by surprise and led to expectations of a new wave of huge takeover bids in the U.S. oil industry. After Mobil's defeat in its efforts to buy Marathon Oil and Conoco, there has been a three-month lull.

In a letter delivered to Cities Service yesterday, Mr T. Boone Pickens Jr, the outspoken Texas oilman who is chairman of Mesa, offered to acquire the larger oil company for \$50 a share.

Mr Pickens said in his letter he was "pleased to confirm" an offer he had made by telephone to Mr Charles Waidelich, chairman of Cities Service, "under which Mesa will acquire Cities Service on an agreed basis in a business combination transaction or transactions in which the stockholders of Cities Service will receive \$50 per share."

Mr Pickens said of his offer that it would either be a cash merger at \$50 a share or a two-step transaction involving a cash tender offer for a majority of the company's shares to be followed by a stock or notes offer or both for the remaining shares, always at \$50 a share.

On this basis, the entire transaction would have a value of nearly \$3.9bn. Mesa already owns 4.1m Cities Service shares, or 5.3 per cent of the company's 77.9m shares outstanding.

Cities Service shares last traded in New York at \$37 a share on Friday. Trading in Cities Service stock was delayed yesterday, but the share was expected to open higher at between \$38 to \$42.

Although Mesa is a much smaller company than Cities Service, it is believed to be leading a wider group of so far unnamed investors interested in taking over Cities Service. Wall Street is speculating that major companies may be supporting Mesa's bid.

Among those most frequently mentioned by Wall Street oil analysts are Texaco, Mobil, Gulf, Southland, Davis Oil, Damson Oil and the Madison Fund of New York.

Mr John McKinley, Texaco's chairman, is known to be a good friend of Mesa's Mr Pickens and the two companies share business interests. However, Texaco has made no secret it wants to increase its domestic oil and gas reserves, although the company yesterday refused to comment on such speculation.

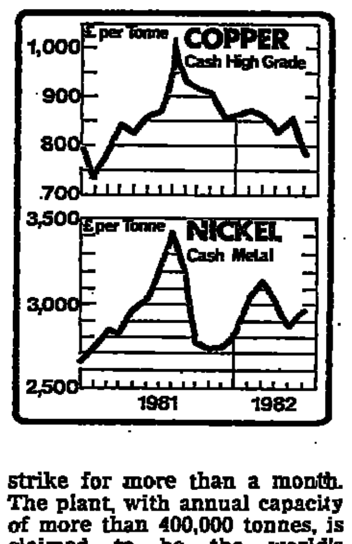
Cities Service has long been seen as a takeover candidate. With revenues of \$8.56bn, it last year negotiated a \$3.5bn credit line to defend itself from possible takeover. It has warned repeatedly it would fight off any hostile bid.

Cities Service last week claimed that Mesa was conspiring with other interests to take the company over with the aim of dismembering or liquidating it. As a defensive move, Cities Service announced last Friday a \$629m cash tender offer for 37m Mesa shares, or about 51 per cent, for \$17 a share.

Copper falls below £800 a tonne

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES tumbled below £800 a tonne on the London Metal Exchange yesterday for the first time since early 1981. The cash price of higher-grade copper lost £32.25 to £770.50 a tonne, about £100 lower than a month ago.



In North America, several leading producers cut their domestic U.S. selling price by 3 cents to 72 cents a lb.

The price falls came in spite of confirmation of a strike at International Nickel's complex in Sudbury, Ontario, which produces copper as well as nickel. Workers went on strike on Monday when their three-year labour contracts expired.

This means that supplies from Canada, a principal copper exporter, will virtually dry up. The country's biggest production plant—the Canadian Copper Refinery, owned by Noranda—has been closed by a strike for more than a month. The plant, with annual capacity of more than 400,000 tonnes, is claimed to be the world's biggest single refining unit.

The loss of Canadian supplies and huge production cuts by the leading U.S. producers has been more than offset by a continuing slump in demand. The metal has been particularly hit by the depressed conditions in its main outlets—the electrical, construction and motor industries.

Traders said that the recent sharp price falls have been accelerated by selling by speculators, who bought in anticipation of a recovery in the U.S. economy. These expectations have evaporated and with U.S. interest rates remaining high there has been a general move out of money invested in metals.

Yesterday the only market to go up was nickel, but the cash price closed only £7.50 higher at £2,955 a tonne after news of the International Nickel strike. Tin prices fell heavily, and silver dropped to the lowest level for nearly three years.

Metal market drop, Page 28

Continued from Page 1

Tough line

Antarctic Israel," under long-term threat of attack from nearby.

Mr Parkinson, referring to early reports from islanders in areas freed from Argentine occupation, spoke of a "very strong antipathy" towards Argentina. "Nothing that has happened over the last few weeks has made them any more favourably disposed towards Argentina."

Mr Parkinson sought to damp down increasing speculation about a cabinet split.

There were no differences of opinion within the cabinet or the inner group about future negotiations, he said on BBC television news.

"The truth is we are looking at very difficult problems. British territory has been invaded which we have had to repossess. We have to decide how to guarantee the future security of the islands and return the islanders to their normal way of life, to give the economy of the islands a boost to improve their way of life if possible."

Mr Parkinson played down the "differences of emphasis" which the Government has acknowledged exist in the inner cabinet, believed to centre on the Prime Minister's determination to re-establish British supremacy, as opposed to a greater readiness on the part of Mr Francis Pym, the Foreign Secretary, to seek a more international solution, possibly including a face saving formula for some form of Argentine role.

Meanwhile, opposition parties kept up their pressure on the Government to resume negotiations through the United Nations.

Sr Javier Perez de Cuellar, the UN secretary general, is due to report by this evening to the security council, possibly initiating moves for a further security council involvement in the crisis.

Mr Michael Foot, the Labour leader, said even a full military victory at Port Stanley would not preclude the need for negotiations.

The inner cabinet is expected to meet again this morning.

Continued from Page 1

News blackout on Stanley

reinforcements are in the form of 3,000 men from the 5th Infantry Brigade, who have now left the converted liner QE2 for assault and landing ships. However, it was still not clear last night whether they were in the Stanley area.

The Defence Ministry has become increasingly chary of releasing news over the past week or two, partly because it says that any information on troop movements could be of use to the beleagured Argentine garrison.

It may well be, though, that the battle is further advanced than the Government wants to admit at present. Control of information has been a feature of the Falklands conflict.

So it may well be difficult to come by reliable information on the Port Stanley campaign until there is a firm indication of British success.

There seems to be much confidence in Whitehall that the operation will be successful. Last night it was being denied that a lull of three or four days in the fighting had been ordered so that surrender terms could be put to the Argentines, in the hope of their withdrawal without further loss of life.

Yesterday, the Ministry of Defence announced for the first time that about 250 Argentine personnel had been killed in the Darwin and Goose Green actions, out of a total garrison of 1,600. About 120 others were wounded. Seventeen British soldiers were killed.

It was being emphasised yesterday that the decision had been taken to recapture Port Stanley without "undue delay." The Government is believed to be worried that, if a drawn-out seige were to be laid to the Argentine garrison, that could give an unwelcome fillip to international attempts to organise a ceasefire on less than surrender terms.

There remain key questions on the nature and morale of the Argentine garrison in Stanley. Defence officials in London indicated yesterday that as many as a battalion of troops (perhaps 600 men) might have gone from Stanley to Darwin and Goose Green as last-minute reinforcement. It is possible, therefore, that the Stanley garrison is now only about 6,000-strong—against the widely-quoted 8,000 men which Britain may be able to field against them.

The Defence Ministry has said that a Sea Harrier from HMS Invincible shot down, 50 miles north of Pebble Island on Monday, an Argentine Hercules C130 transport aircraft, which was presumably trying to resupply Stanley. It is not clear whether other aircraft have recently got through to Stanley from Argentina. Nor is the state of Argentine morale known for sure, though the tactics of the British forces have clearly been aimed to make life increasingly uncomfortable over the past few days, in the hope of inducing an early surrender.

● The Argentine military high command said yesterday that the Argentine air force had launched a dawn bombing attack on Mount Kent. Argentina had earlier reported that its forces had fortified the strategic position with artillery and mortars. A communiqué said the results of the raid were being assessed.

Officials said that Argentina was reinforcing and strengthening its positions in the face of advancing British forces.

Malaysia to control plantation company

By Ray Maughan

CONTROL of Harrisons Malaysian Estates, one of the peninsula's largest plantation companies, is to be transferred from its holding company in Britain, Harrisons & Crosfield, to the Malaysian state investment agency in a deal which values HME at £294m.

Harrisons & Crosfield has been negotiating the transfer with investment agency Permodolan Nasional Berhad in compliance with Malaysia's new economic policy since the London-based group acquired a 74 per cent holding in HME four years ago for £116m. This brought its total interest to 80.8 per cent.

Policy

The policy calls for the participation of the Bumiputra, the indigenous Malays, in a wide section of Malaysian industry.

Bumiputra participation will be effected by an arrangement whereby HME will be exchanged for the equity in a new company, Harrisons Malaysian Plantations Berhad.

HME owns 167,505 mature acres of rubber and palm oil in Malaysia which are valued at about 6,300 Ringgit (£1,500) an acre. The parent company will retain a 30 per cent holding in the subsidiary and receive £147m from Permodolan Nasional in payment for 50 per cent of the shares.

Shareholders in HME will be able to exchange up to five-eighths of their entitlement under the terms of a partial cash alternative provided by Permodolan Nasional. Depending on the level of cash elections, the agency's interest in the new company will be between just over 50 per cent and 62.5 per cent.

Budget

Permodolan was given a budget of 1.5bn Ringgit last year to buy stakes in foreign-controlled companies which would give a 40 per cent interest to all Malaysians and a further 30 per cent specifically to Bumiputra.

The agency has purchased stakes in Barlow Holdings and Amalgamated Metals and it paid more than £280m last autumn for another plantations group, Guthrie Corporation.

In addition to the retained holding in HME, Harrisons Crosfields owns 100,000 acres of rubber and palm oil in Indonesia, through its London Sumatra subsidiary, whose immature acreage is said to be comparable in area with that of HME.

Background, Page 8

Weather

UK TODAY

MOSTLY hot and sunny, some thundery showers.

N Scotland, N Ireland
Sunny periods, becoming cloudy in West. Max 23C (73F).

England and rest of Scotland
Sunny periods, thundery showers perhaps developing. Max 27C (81F).

Outlook: Sunny intervals with thundery showers, becoming cooler in Wset.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	26	79	L. Ang.†	F	13	55
Algiers	C	22	72	Luxmbg.	S	26	79
Amsdm.	S	26	79	Luxor	S	35	95
Athens	F	25	77	Madrid	C	21	70
Bahrain	S	34	93	Majorca	S	24	75
Barclna.	S	21	70	Malaga	C	21	70
Beirut	S	24	75	Malta	C	24	75
Belfast	S	22	72	M'chstr.	S	24	75
Belgrd.	S	25	77	Melbne.	F	14	57
Berlin	S	28	82	Mx. C.†		—	—
Biarritz	C	20	68	Miami†	F	26	79
Bmghm.	F	25	77	Milan	S	27	81
Blackpl.	S	19	66	Montrl.†	C	20	68
Bordx.	C	21	70	Moscow	S	20	68
Boulgn.	S	18	64	Munich	S	26	79
Bristol	S	21	70	Nairobi	F	24	75
Brussels	S	26	79	Naples	S	29	84
Budpst.	S	26	79	Nassau		—	—
Cairo	S	29	84	Nwcsd.	S	23	73
Cardiff	S	18	64	N. York†	C	16	61
Cas'b'ca	C	21	70	Nice	C	24	75
Cape T.		—	—	Nicosia	F	23	73
Chicg.†	F	12	54	Oporto	C	16	61
Cologne	S	28	82	Oslo	S	21	70
Cpnhgn.	S	23	73	Paris	F	24	75
Corfu	S	25	75	S'tiago.		—	—
Denver†	C	9	48	Stckhm.	S	22	72
Dublin	S	18	64	Strasbg.	S	27	81
Dbrvnk.	S	24	75	Sydney	S	15	59
Ednbgh.	S	22	72	Tangier	S	25	77
Faro	S	23	73	Tel Aviv	S	23	73
Florence	F	32	90	Tenerife	S	23	73
Frankft.	S	28	82	Tokyo	C	18	68
Funchal	C	20	68	T'ronto†	T	16	61
Geneva	F	23	73	Tunis	S	28	82
Gibraltar	F	22	72	Valencia	F	23	73
Glasgow	S	23	73	Venice	S	25	77
G'rnsey	Fg	14	57	Vienna	S	25	77
Helsinki	S	21	70	Warsaw	S	25	77
H. Kong	C	29	84	Perth	S	20	68
Innsbrk.	S	27	81	Prague	S	27	81
Invrnss.	S	22	72	Reykjvk.	C	8	46
I.o.Man	Fg	13	56	Rhodes	C	21	70
Istanbul	C	15	59	Rio J'o			
Jersey	S	17	63	Rome	S	28	82
Jo'burg		—	—	Salzbrg.	S	27	81
L. Plms.	F	21	70	S F'cisc†		—	—
Lisbon	S	27	81	S. Moritz		—	—
Locarno	S	26	79	Singapr.	F	29	84
London	S	24	75	Zurich	S	25	77

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Mercantile spans the Globe

Having made a fortune in the money broking boom, Mercantile Hounse is not wasting a second in protecting itself against a decline in its staple business. A string of medium-sized acquisitions is now being cantile House is not wasting a followed by a £91m agreed pounce on the U.S. broker Oppenheimer, which changes the balance of the group at a stroke. At its 420p suspension price, Mercantile itself is capitalised at £73m.

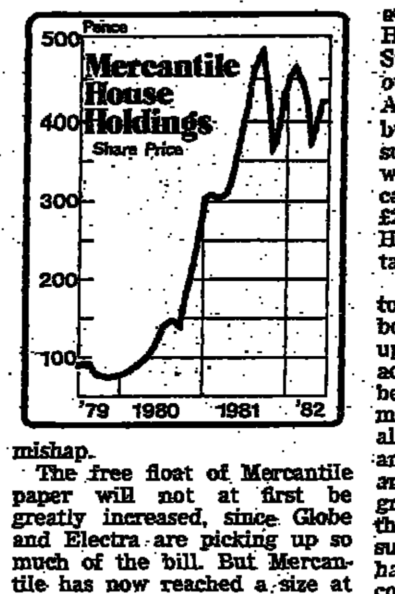
The offer price represents 3.4 times book value, which would be very high for a pure brokerage business. But Mercantile argues that Oppenheimer's investment management interests—at least as important as the broking side—are being acquired cheaply in relation to funds under-management. Besides, the exit p/e of nine times is less than half Mercantile's historic mutiple.

The financing of the acquisition naturally requires a hailstorm of Mercantile paper, and a *firm* buyer for it, since the Oppenheimer partners want cash to invest on their own account—in addition to which they are supposed to be tied in to running the Oppenheimer business for Mercantile. The backer is the Globe/Electra stable of investment trusts, which already has interests in both Mercantile and Oppenheimer.

It will end up with 30 per cent of the enlarged company, or nearer 40 per cent after the conversion of a new issue of preference shares, which would take the issued capital up to 37½m shares from the present 17½m. On the way there will have been an offer for sale of some 4¼m shares—probably by tender—which Globe and Electra will underwrite. Globe is certainly keeping its promise to concentrate on "fewer but more significant investments."

Notwithstanding these very large equity issues, the £64m of goodwill means that Mercantile's net tangible assets will not be increased by the deal until the preferred shares are converted. Tangible net worth of less than £20m is a very flimsy base on which to operate what will soon be a very large business, particularly since Mercantile is increasingly taking a principal's risk in some markets. In addition — as the Drysdale affair clearly showed — credit risk is a major problem even for pure agents. And although Mercantile's management controls are very highly regarded, an expansion on this scale clearly increases the chance of a mishap.

Index unchanged at 587.3



The free float of Mercantile paper will not at first be greatly increased, since Globe and Electra are picking up so much of the bill. But Mercantile has now reached a size at which it will take more than deal-making to push up earnings per share. What it needs to do now is digest the large and complex business it is buying, and build up its equity base. The paperchase has run its course.

HME

After Barlow, Dunlop and Guthrie, Harrisons Malaysian Estates was the last of the big British-owned plantation companies to agree terms for Malaysianisation. The price seems to be a *fair* one — the effective price put on each HME share by the partial cash option is 176p. But given that the HME price reached over 230p last year there remains a sneaking feeling that the parent, Harrisons and Crosfield, might have done better to be earlier in the queue.

Just under a fifth of the HME shares are publicly held, and shareholders have to decide in due course whether to take shares in the new Malaysian domiciled company, Harrisons Malaysian Plantations Berhad, or to take a cash option in respect of up to five-eighths of their holdings. There are obvious risks in holding a foreign controlled share (though future dividend policy is promised to be "broadly similar") but on the other hand this stage of the world recession might not be a good time to sell a commodity share, and there is just a chance that the price could be more favourable when the main action moves to the Kuala Lumpur stock market.

For its part, H and C will keep a 30 per cent stake in HMPB, the maximum allowed for a foreigner under Malaysia's New Economic Policy. This stake will be worth some £90m at the cash option price, and H and C also owns London Sumatra which is valued at over £50m in last year's bid. All the same, the profile of the business is going to be changed substantially by this deal, which will yield around £150m in cash (subject to a maximum of £28m of tax). For comparison H and C's present market capitalisation is just short of £400m.

Although H and C will wish to pay off part of its £85m borrowings, it could still have upwards of £60m available for acquisitions which it says will be concentrated in its other mainstream activities — specialised chemical manufacturing and distribution, and timber and building supplies. But the group will surely lose for ever the special mystique which its successful plantation activities have given it. Should not the company be trying to devise ways of giving the money back to shareholders? Its spare resources will be remarkably similar to the £50m raised in the 1980 rights issue.

Hanson Trust

Hanson Trust has yet to convince everyone in the City that last year's purchase of Berec for £100m will count among its shrewdest moves. But, from the evidence of yesterday's interim statement, integration of the company — renamed British Ever Ready — is proceeding very smoothly.

Hanson's pre-tax profits for the six months to March have risen 21 per cent to £22.1m, with the weaker pound claiming half the credit. Ever Ready made only a very small net contribution for the three months in which it was consolidated, and that after allocating the cost of some fairly cheap loan stock funding. But a subsidiary which was losing Berec £3m a year has already been closed, at virtually no cost to reserves, and the second half performance should be significantly better.

Hanson has again established how well it stands up to recession. The trading profit of the U.S. operation is flattered by the inclusion of the McDonough companies for a full six months, but there has still been some underlying advance in dollar terms. In the UK, the building materials and engineering companies are already experiencing some improvement in final demand.

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